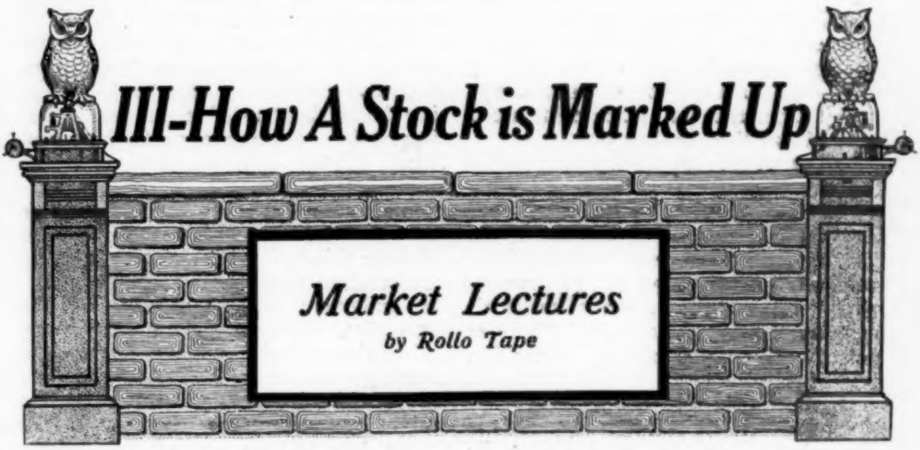
# THE TICKER

Vol. I. APRIL, 1908. No. 6.



## III-How A Stock is Marked Up

### Market Lectures

*by Rollo Tape*

IN the last lecture we discussed the method employed by a manipulator in raiding a stock, his intent being to shake out the public, and accumulate his line, preparatory to "marking" up the stock.

His first 8,000 shares cost him an average price of 16½. By keeping the stock dull and depressed he has added 7,000 shares more at an average cost of 19, so that his whole line of 15,000 shares stands him in about 18. The total number of shares being 100,000, his holdings represent 15 per cent. of the issue.

The holdings are distributed as follows:

| | | |
|---|---|---|
| Controlling interests own | 25,000 | shares |
| Investors own | 25,000 | " |
| Speculative holders own | 35,000 | " |
| He owns | 15,000 | " |
| | 100,000 | |

It will be remembered that he acquired the first 8,000 shares by raiding the stock. Forcing a sharp decline has the effect of scaring some people out, just as, when you stand in the midst of a flock of chickens, wave your arms and yell "Shoo!" the chickens run in all directions without stopping to investigate. The general public reasons about as do the chickens; the average speculator is usually impelled to buy or sell by the *action* of an individual stock or the whole market. In case of a decline such as we pictured, he jumps out on snap judgment. When he finds his mind relieved he will explain to himself why he did it, giving a dozen reasons for his action, none of which appeared before he ordered the stock sold.

After having been "licked" in a stock he will seldom go back into it. He bears a sort of grudge, and therefore may avoid it for months and years. It is this effect upon the public mind which clears the way for the manipulative operator. The stock which cost him 18 was parted with by those who bought it from 50 down below 20; as a rule they are disgusted and will not go into it again. When the time comes a new set of buyers must be induced to take it off his hands at a higher level, say 30, but the value of the stock must not be made ap-

parent until the operator is ready to begin his distribution. That, however, is another story.

Every one is not to be shaken out of a stock, even though he be half scared and hard pressed for the wherewithal. A raid has a hardening effect upon some traders; it makes them set their jaws and "hang on like grim death." They may decide to sell out on the first good rally, but, like Ed. Harriman, they won't retreat under fire. In order to secure their holdings the manipulator resorts to new tactics—he aims to tire them out, knowing by experience that more holders can be tired out than shaken out.

And so we find the stock falling into a dull rut, transactions perhaps acounting from a few hundred to a couple of thousand shares a day. The balance of the list may strengthen, but this stock lags, seemingly unable to get out of the narrow groove. Holders, noting its heaviness, say, "It doesn't act right," "It looks rotten," "Guess you can sell mine; I'm tired of it."

That's exactly the state of mind Mr. Manipulator is trying to produce. It is interesting to note his modus operandi; this is simple but effective. He arranges with the specialist in the stock, or some other broker who can give it constant attention, to keep it always within a certain range. "Don't let it get above 19½," are his instructions, and "Pick up everything offered, but don't bid for it. Mark it down whenever you can." These orders are carried out to the letter.

Assuming the market price to be 18@½ with the specialist making both bid and offer ("making the market both ways, as it is called on the floor"), a commission house broker comes into the crowd and offers "100@18⅜." The specialist, working for the manipulator, offers "200@¼," simultaneously reducing his bid to 17¾. The broker reports to his office "X is now 17¾@18¼." This disgusts the holder still more, as it indicates a market so narrow that you can't sell when you so desire.

Any one who has traded in Great Western B. or common, Wabash com. or pfd. or, in fact, almost any of the Gould stocks will readily recognize this as one of the great objections to trading in this group of securities. It is simply exasperating to feel that some one is playing for the last fraction which you can be "done out of." This, more than any other one thing, accounts for the unpopularity of the Gould stocks. Not that manipulation is going on in them all the time; but whatever the cause, the effect is that the public has practically boycotted them.

Pardon my digression. The tired holder finally sells at 17¾.

If any one comes in to buy, the quotations are worked to make him pay as high as he will—say 18⅜ or ½. Keeping the market "wide" in this way makes it possible to catch a profit here and there. These, in a measure, offset the commissions, tax, etc., which are incidental. On the other hand, some one may decide to purchase a few thousand shares; this has the effect of advancing the stock to 19 or 19½. Here the greatest judgment must be displayed by the specialist. He must make the buyer pay a maximum price without letting the stock get out of bounds. Also, he must avoid attracting public attention, as this might cause a spurt which it would take some days and the loss of considerable stock to repair the damage done. Buyers must be supplied or they may bid it up. He may, after selling them their line at 19⅜ to ½, take it back from them at 17 by marking it down again, provided they are easily discouraged and shaken off.

I remember once this process was going on in Amalgamated Copper on the New York Stock Exchange. A broker of great ability was employed to keep the stock within a scope of about four points. So well was it known on the floor that he "did things" for the "powers" of the Street that his operations were closely watched. To avoid suspicion he seldom appeared in the crowd himself. He used many different brokers, giving all his orders verbally in such a way that no one else could get an inkling of his operations. For example, he would approach a broker who was never known to represent him, pretend ostentatiously to admire a new suit, scarf-pin, necktie, etc., to throw any possible eavesdroppers off the scent. While talking thus he would drop his voice to an undertone and say, "Sell 3000 Amalgam-

ated and report to my office by way of your phone." Thus he was able to put a damper on an incipient boom, or check a decline without showing his hand. Not one of the brokers employed knew what was afoot. However, history shows it was accumulation, for the next big swing of the stock was a forty-point rise.

At last the point is reached where our manipulator has completed his line and is ready to begin the marking-up process. He sizes up the situation something after this manner: "I have pretty well cleaned up the floating supply; practically all the weak holders, who might have sold out on me, are now out of the way; my line cost 18, which is two points less than the market price when I began operations; the situation is favorable to an upward move in the general market." He then reassures himself that the coming announcement, upon which he depends to make the public again buy the stock, is certain to go through all right.

Finding the coast clear, he calls upon his floor lieutenants once more and directs them to employ every opportunity to bid the stock up. He phones one house which is especially equipped for the purpose and directs it to give out buying orders to a dozen or more commission houses with whom it is connected by private phone. (One house has seventy of these phones all terminating in one room from which orders are distributed.)

The stock is pulled out of its rut and is made 20½ bid. These commission house orders, coming in a bunch, make it look as if something had suddenly developed, and with a dozen brokers bidding 20⅛ to 20⅜ for small lots, and one of the aforesaid lieutenants bidding "20½ for any part of 5,000 shares," the stock presents a very strong aspect.

Every ticker in the land instantaneously reports the "move in X. com." Traders on the floor see the advance; hearing the "bull yell" in the X crowd, they step over and take a hand in the game themselves. While every professional floor trader has his own method of operating, the majority of them "follow the line of least resistance," and seeing a lot of X wanted at 20½ and only 300 offered at 20¾ and 200 at 20⅞, the boldest one of them shouts, "I'll take both lots," and immediately bids "21 for 500 more." Another trader goes him ⅛ better; the buyer of the 500 shares offers his lot at 21½ and bids 21¼ for 500. Thus have the traders "taken the market away" from the commission houses.

Just at this stage another set of bidders appears with orders to buy at 21 to 21¼, and the market becomes fairly established at the new level. All this has taken but a few moments, as the manipulator is quick to follow up any advantage, and is, of course, responsible for the new supporting orders. Houses with whom these orders are placed pass the tip to their customers (in and out of town), "We're buying X for the right people; looks like a good move." This tip flashes around from office to office by phone or other means; traders float out of one office and into another, and when the eternal Wall Street question is asked—"What do you know?" the answer is, "Buy X—it's good for 40!"

Thus a public following is obtained, sentiment gradually crystallizing into a bullish frame of mind on X common. Floor traders, seeing the inside support given it, and noting the active demand from commission houses, work on the bull side at every opportunity. The newspapers who really *know* nothing of what is going on, give plausible reasons for its advance, such as:

"While no definite foundation for the sharp advance in X common has yet been announced, it is rumored that certain favorable developments are pending which, if consummated, will eventually result in much higher quotations for the stock, etc., etc."

The newspaper man is only guessing, like every one else, but being able to print his guess, the public is influenced thereby, and still more become converts to the bull side of X.

By keeping the stock strong, and not allowing it to react more than a point to a point and a half, the outside interest is not scared out and gradually increases. Naturally there is much profit-taking by those who scalp for a point or two, but these sales are counterbalanced by fresh buyers who are attracted by the strength of the stock and the prevalence

of bull talk and opinions. Very often when a reaction comes in the general market the manipulator is obliged to take considerable stock on balance. What becomes of this depends upon his attitude toward the issue, and whether his plans are working out satisfactorily or otherwise. It may be that he will not object to having 5,000 or 10,000 shares added to his line by the time he is ready to distribute. On the other hand, he might scent danger at some stage and begin selling on a scale up. Circumstances may at any moment cause him to alter his course.

Here an incident occurs to me which might be taken as a warning by those prone to following insiders: In the days when Jay Gould was manipulating Manhattan, the "Little Wizard" used to employ an experienced assistant to work out his "market skeletons," and distribute the necessary orders. For the benefit of the uninitiated, a skeleton is simply a series of matched orders designed to produce fictitious transactions on an advancing or declining scale—a sort of trellis on which the market vine is allowed to climb, or a rope on which it may slide to a lower level.

Gould was in the habit of giving directions every evening as to the next day's operations. He would say, for example, "Place your orders in the morning, so that Manhattan will open at so-and-so, then advance five points and drop back three." The assistant would lay out his orders for the morning on this basis. As Gould controlled the price of the stock and was, in fact, a potent factor in the general market, there was little difficulty in carrying out his instructions.

Now, it would seem as though any one able to get hold of these plans before the next day's opening had about the biggest cinch in Wall Street. So it appeared to the bookkeeper in the office where Gould made his headquarters, and the skeletons were made up. He kept his ears open any way, and was able to get a line on what was doing. With a capital of $15,000 he thought he had the Stock Exchange by the tail. But somehow, things didn't always go as the orders indicated. Often a complete reversal took place. Manhattan would be marked for a rise of several points between certain hours, and during that very time it would break wide open. He couldn't understand it; neither could Gould's assistant. In the end the bookkeeper lost his $15,000 and the assistant (no, he didn't lose his job) learned that Gould was giving orders through other brokers which at times nullified the skeletons and produced the opposite effect. Any one attempting to follow his original plans would thus become hopelessly entangled.

It was evident that Gould met unforeseen obstacles and frequently changed his course according to the object in view. Perhaps he discovered that more than one person was "wise" to his plans. This alone was enough to make him back, fill, and sidestep till he had shaken them off, as nothing more endangers the success of a deal than the existence of a large following.

(*To be continued in the May Ticker.*)

# Stocks of Bankrupt Corporations

## Advantage of Holding---Best Time to Buy

THERE is a time for everything, and the time to make purchases of stocks which are going through a receivership is quickly apparent to any one who studies the question.

One of our contributors, in stating that a Hollander can stand, without flinching, any sort of vicissitudes through which his securities may pass, except receivership, reorganization and assessment, also voices the sentiment of the American people in this regard.

When a road goes into a receiver's hands it confesses to the public and its shareholders that it is short of cash with which to meet its obligations, whether these be fixed charges on its securities, current bills, or what-not. While this American Republic is a bull country, practically all important railroad systems or industrial corporations pass through critical periods at some time in their history. Some are obliged to confess insolvency; others are tided over in various ways without reorganization.

If one will look back about a dozen years and compare the ruling prices of our leading stocks with present figures, he will not find much encouragement in long run bearish sentiments. Looking forward it is simply a question of time when the Central, Southern and Western States will be built up as solidly as the New England States are now, and properties which at present run through long uninhabited stretches will, before many years, find local traffic a most important factor. While none of us expects to make money by waiting for the prairies to become studded with New Yorks and Chicagos, the tendency is perfectly plain and the lesson to be drawn therefrom was well epigrammed by the one who said: "Never sell the United States short."

Many a stockholder, even though his holdings be paid for, and locked away, feels a shiver run down his spine at the suggestion of a reorganization and assessment. To be sure there is nothing very cheerful in the news that one's stock is shriveling up under the scorching rays of a business depression; but as a stockholder it is well to remember that you are a partner in the enterprise, and provided you have faith in the past or prospective management, it is your duty to stand by and help pull your property out of the hole. If you lack this faith you cannot liquidate too quickly.

Readers of the "Story of Erie" obtain many an inside view of the difficulties met by railroad managements, whether they are honest or dishonest.

When, however, the reorganization becomes an accomplished fact, in 95 per cent. of the cases it is best to participate.

During the period from 1893 to 1896 such properties as Union Pacific, Northern Pacific, Atchison, Southern Railway, Baltimore & Ohio, Norfolk & Western, and numberless other corporations, went through this same process. In the preferred stocks of these companies which you find listed and selling on an investment basis, the assessments of twelve years ago are represented—a strong example of the advisability of paying assessments and sticking by your property.

To those fortunate enough not to be long of such stocks as are about to be reorganized, there is, as some facetious person down here among the bulls and bears, has called it, a "zoölogical" moment, when purchases of bankrupt stocks may be made to the best advantage. This period lies between the time when the assessment is first announced and the last day on which the assessment may be paid. Were we asked to name a particular day on which it is best to buy these stocks we would answer thus: If an assessment of $10 per share were called, the first $5 paid, and the final day for

paying the last assessment were June 30, we should make our purchases of the stock on June 30, buying "for cash," and paying the assessment before 3 o'clock on that day.

The reason: During the assessment period many people throw over their holdings rather than make the payments. This produces a steady liquidation, to offset which there is no particular demand. Few people apply to the stock market the same horse sense they would use in their own business. In commercial lines shrewd buyers are always looking for bankrupt stocks selling way below value, and thrown over because the seller "hasn't got the money." When this situation shows up in the security markets our shrewd buyer will, in most instances, fight shy, and that is just where he makes his big mistake. The old Wall Street axiom: "Stocks are strongest when they are weakest," means, when a property is in a seemingly hopeless condition, when there is no bid for it, and when it appears as if there never will again be a market for the stock or a value attached to it, it is *then* at a point where everything must tend toward improvement. Right here Mr. Shrewd Buyer steps in, gathers up the seemingly worthless certificates, cheerfully pays the assessment, and enjoys the extreme felicity of selling out at many hundred per cent, profit in due course of time.

We are often asked whether the holder of a "non-assessible" stock can be obliged to pay an assessment. It might be well to say here that assessments on modern railroad and industrial corporation stocks do not actually take place. A property about to be reorganized is usually sold at public auction and is bought in by a new corporation organized for the purpose. Stockholders of the old company who wish to become stockholders (partners) in the new enterprise, turn their old certificates over to the new company and pay thereto a specified amount in cash. The effect is the same as if the old stock were assessed, but by this method many legal technicalities are overcome. Furthermore, the reorganized companies may thus rid themselves of unprofitable connections, contracts, guaranties, leases on branch lines, etc., all of which lends additional value to the new securities.

# The Secret of Canadian Pacific's Tremendous Expansion

By Elbert Hubbard in the Philistine

EIGHTEEN years ago I first visited Winnipeg. It was shortly after the opening of the Canadian Pacific, and I saw the marvel of three trains a day being sent Westward, loaded with emigrants. "How long," said I, "can this be kept up?"

Last month I saw exactly the same sight, only with more emigrants and a better train service. Every day during those eighteen years three or more packed trains have started Westward from Winnipeg laden with men, women, many children, with bags of brown bread, infinite links of bologna, and high hopes.


The babes in arms I then saw are now grown men, earning bigger wages than their fathers ever commanded.

And still the crowd goes Westward—always and forever Westward—and melts away into the vast expanses of Manitoba, Saskatchewan, Alberta, Assiniboia and Columbia, and is lost to view.

From a comfortable seat in the palace car, the country looks uninhabited. Now and again you see a solitary figure driving four or six horses to a gang plow; all along one beholds brown patches of cattle, the successors of the buffaloes that roamed the prairies only forty years ago; now and then a threshing machine, and at night distant fires burning stacks of straw.

Northwest Canada has one hundred and seventy million acres of arable land, and less than ten million acres are under cultivation. The long line of freight cars creeping to the East are loaded with cattle, horses and wheat.

Who raised the cattle and horses, and who produced the wheat?

Why, the emigrants I had seen eighteen years ago with their babies, and bags of brown bread and infinite links—not missing—of bologna and hope. For a very few years only did the railroad send loaded cars Westward—then they began to haul loaded cars the other way. Now the difficulty is to get enough cars to carry the cattle, horses and grain to the seaboard.

And yet when the Canadian Pacific was planned—and it seems but yesterday—I remember my father saying it was a vain speculation to get money out of the pockets of London bankers. Why, the railroad ran through a country where nobody lived!

And yet it was a friend of my boyhood days who had the prophetic vision

to see these brown patches of cattle feeding on a thousand hills, and the long lines of freight trains creeping always and forever to the East loaded with the wealth which only needs the labor of the men, women and children I saw crowding the railway platforms of Winnipeg.

The courage, the faith, the determination, the persistency of those builders of empire who carried the flags and sighted the transits and laid the lines of steel, is a poem as yet unwritten. We are still too busy, or too amazed if we stop to consider it, to write about it.

But even "Bill Van Horne" or James J. Hill, or Donald Smith, never dreamed of the full and final results of their initiative. The wealth of this country is yet practically untapped.

The high hopes of the emigrants were not founded on moonshine. At a little town three hundred miles west of Winnipeg I saw a man who took up a homestead of one hundred and sixty acres five years ago. The first crop was two thousand bushels of wheat which was sold at sixty cents a bushel. This man now owns six hundred and twenty acres, and this year he marketed eight thousand bushels of wheat at a dollar a bushel. But even then he wasn't satisfied, for he told me that hereafter he was going to devote his time to raising Clydesdale horses and Ayrshire cattle, and leave No. One Hard to those who couldn't produce anything else. Such cases are too numerous to mention.

It was the Dillons of McLean County, Illinois, who first introduced the heavy draft horse into the West. They made a quick fortune out of the business by importing young Norman stallions and selling them at from one to three thousand dollars each. Others embarked in the business and lost fortunes. When Jim Hill pressed a buzzer and ordered a young man to go to England and buy five hundred yearling Ayreshire bulls and distribute them among the farmers of the Dakotas and Montana he worked an epoch. Then when he followed it by introducing as many Clyde stallions he ruined the business of a lot of speculators, but he added millions to the wealth of what he calls "our folks."

The Canadian Pacific has done a like service for its "folks," by the introduction of better breeds of cattle and horses. The big, shaggy Clydesdale, with his broad, flat tail, thrives out-of-doors all the year round in Alberta, and a pair of good ones are worth now on the plains close on to three hundred dollars, fancy ones, more.

To land these horses in Liverpool, in bunches of say forty, costs only about fifty dollars each for transportation. So with horses at a hundred and fifty, wheat a dollar, oats fifty cents, hogs six cents, cattle five, the farmers are seeing their high hopes turned into cash.

The happiest token of it all to the humanitarian is to behold how the Canadian Pacific Railroad managers work in a scientific way to protect and benefit the settler. To prevent extortion the prices of lumber are posted in all railroad stations. Breeding animals are often supplied at cost. Lecturers go through the country explaining what seed is best adapted to the soil and climate. Even "boss farmers" are sometimes sent out among foreigners to show the new-comers how to avoid the mistakes which experience has shown are liable to occur.

To guard against cattle and horse thieves no railroad agent is allowed to ship stock in Canada until it is inspected by an official whose business it is to ascertain the proper ownership. This applies also to hides and pelts.

At Winnipeg I saw the Immigration Commission distributing potatoes and baskets of grapes among the families who were making coffee in the ample rooms provided for their accommodation, while they babled in genuine Tower of Babel tongues. High hopes and other odors filled the space. All was joyous.

Here is an exodus where everyone makes money, and the crusaders are welcomed with good things and safeguarded on their way to the golden West.

It really looks as if the world moves. And yet there are people who do not know that the basis for all mental and spiritual progress is economic, and that the railroads are actually redeeming the world. To give the railroads a square deal is just a matter of plain commonsense. Any other course is economic suicide.

# Canadian Pacific Lands

The Canadian Pacific Railway Company has for sale 9,000,000 acres of agricultural lands in the great grain growing Provinces of Manitoba, Saskatchewan and Alberta. Prices range from $8.00 to $25.00 per acre according to quality and location.

## *Easy Terms of Payment for Settlers*

An actual settler may purchase not more than 640 acres on the ten installment plan, by paying a cash installment at the time of purchase, interest at six per cent. on the unpaid purchase money at the end of the first year, and the balance of the principal with interest, in nine equal installments annually thereafter, as shown in the following table:

| 160 Acres | | Cash Pay't | 1st yr's Int. | | | |
|---|---|---|---|---|---|---|
| At $ 8.00 | per acre | $191.70 | $ 65.28 | and nine | installments of | $160.00 |
| 9.00 | " | 215.70 | 73.46 | " | " | 180.00 |
| 10.00 | " | 239.70 | 81.62 | " | " | 200.00 |
| 11.00 | " | 263.60 | 89.78 | " | " | 220 00 |
| 12.00 | " | 287.60 | 97.96 | " | " | 240.00 |
| 13.00 | " | 311.55 | 106.10 | " | " | 260.00 |
| 14.00 | " | 335.60 | 114.32 | " | " | 280.00 |
| 15.00 | " | 359.50 | 122.44 | " | " | 300.00 |

Purchasers who do not undertake to reside on the land are required to pay one-sixth of the purchase money down, balance in five equal annual installments with interest at the rate of six per cent. per annum.

Maps showing the lands in detail have been published and will be sent free on application. Write particularly for map of 150,000 acres of open prairie lands in the far famed winter wheat district, the land of the warm Chinook wind, in Southern Alberta. Price of first class lands in this district, $15.00 per acre. Intending settlers will receive special attention from local agents.

J. L. DOUPE, Asst. Land Commissioner. F. T. GRIFFIN, Land Commissioner, Winnipeg, Manitoba.

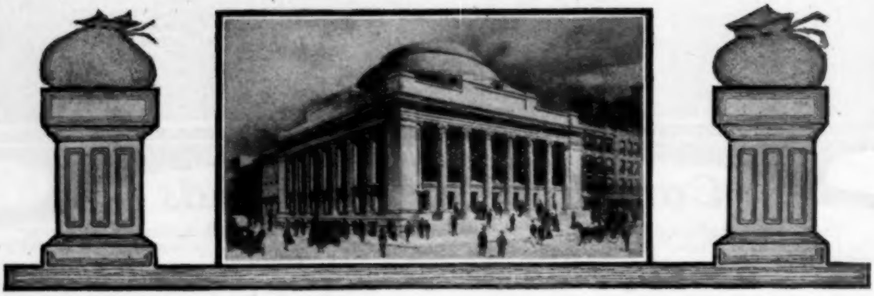
# Specimen Advertisement* of the Canadian Pacific Railway Co.

## SHOWING THE METHODS USED IN COLONIZING

By this means thousands of settlers are attracted to the great north-west and millions of acres rendered productive.

The Company owns or controls about 15,000,000 acres of land in all. If this were sold at an average of only $10 per acre the proceeds would be sufficient to pay off the entire amount of common stock at par—$100 per share.

* Courtesy of Success Magazine



# A Floor Trader's Experience

## On the Consolidated Exchange

WHEN I first came down into the "Street" I secured a position as telephone man on the New York Stock Exchange floor. My firm did a very nice business, and from that vantage point I learned a lot about floor trading, the methods of brokers, and other details of the business which I could not have gained elsewhere.

I also took a crack at trading in the market on my own account, and did very well until the brokerage house handling my orders went up the spout. Finding that I had a tendency toward active trading, in which the commission account was a big handicap, I bought a seat on the New York Consolidated Exchange and started in as a floor trader, scalping for eighths, and taking no commission business whatever.

A very large proportion of the active Consolidated members were engaged in the same occupation, and you can bet competition was keen enough. It took me a long while to accustom myself to standing around from ten till three every day, and a longer while to get on to the tricks of trade, learn to keep a cool head, and retain an unbiased attitude.

My general plan was to stop my loss as soon as I found a trade going against me. Even if it was only ⅛ or ¼, I stopped the loss and waited for a fresh opportunity.

For the benefit of outsiders who do not understand the workings of the Consolidated Exchange I will explain that this is not a primary market. Transactions on the Consolidated are based solely upon the New York Stock Exchange quotations, which are received by telegraph, ahead of the ticker, and posted on the big blackboard at one end of the Consolidated floor. In fact, it might be said, that without these New York Stock Exchange quotations the Consolidated Exchange could hardly exist in its present status. In proof of this, well-posted people will recall some years ago a day when the New York Stock Exchange was closed but the Consolidated was not. The members of the Consolidated agreed in advance that the transactions of the next day should be made as voluminous as possible, and whereas during ordinary sessions the Consolidated tape was filled with 10, 20 and 50 share lots, on this day there were numberless transactions in 100, 200 and 500 share lots. Prominent New York dailies refused to recognize the transactions, however, as representing the official transactions of the New York market for that day.

The market on the Consolidated Exchange is really a 10, 20 and 30 share market. Of course there are times when a trader can swing 100 to 500 share lots and in exceptional cases 1,000 share lots,

but trades of this size are seldom possible unless you are dealing with a "wire house," viz: those having quick connections with the New York Stock Exchange, and therefore qualified to bid for, or offer, round lots based on the market for the same stock on the "big board." As these houses have to pay ⅛ commission on anything executed on the New York Stock Exchange, the quotation on the "little board" is always at least this ⅛ away on either side. For instance, if B. R. T. is 45@45⅛ in the "big board," it would be 44⅞@45¼ on the "little board."

There is another disadvantage on the Consolidated, viz: the fact that the majority of those on the floor are scalping. This, combined with the light volume of commission business, produces a peculiar situation. I refer to cases wherein a stock has a quick bulge of, say, a couple of points, such as from 45 to 47. If at the top of the bulge the ruling quotation is 47 on the New York Stock Exchange, the price on the little board is apt to be 46½@46¾.

The reason is apparent—so many traders make a practice of selling on bulges and buying on dips that in such cases there is not a sufficient market to accommodate all the sellers, and those who wish to go short have to offer the stock down. This brings them in competition with the New York Stock Exchange Market, and sooner or later the parity between the two Exchanges is, in a measure, regained.

The same thing happens in a sharp slump. Many a time I have seen the "small board" market from a quarter to three-quarters per cent. above the Stock Exchange, simply because a lot of traders wanted to cover and the stock was not there to supply them. The disadvantages of doing business in a secondary market are, therefore, apparent.

Activity on the Consolidated is mostly in comparatively few stocks—another factor operating against the floor trader.

In my few years' experience I have found it best to operate in lots of from 20 to 40 shares, to stay out of the market when it is wild, and to follow the invariable rule of cutting losses short. It is equally important when a profit is once secured, to let it run, and follow closely with a stop order. Now that I have this idea down almost to a mechanical system, I can knock out $5,000 or $6,000 a year without trouble, but I would clean up a great deal more if I had a larger stock of patience. Many times I could have taken several points profit when my desire to be out of one thing and into another trade impelled me to close out a profitable deal. There are traders on the floor who perhaps can average from $20,000 to $25,000 a year, but these are exceptionally gifted along this line.

One of the great reasons why so many of the Consolidated boys have graduated into the New York Stock Exchange is, that when they become really successful traders, and can swing good sized trades, the limitations of the "small board" are a great handicap.

Still I am fairly contented to plug along, making a good living, having no customers to worry about, no office expenses, and carrying practically nothing over night. I cannot go broke unless I grow reckless, and if my system will stand the nerve-racking incidental to the game, I see no reason why my future is not secure.

While it is a good deal better than clerking it, I cannot advise any one to throw up his job or liquidate his other business for the purpose of engaging therein, as, in the final analysis, he might find himself totally unfitted for this character of work.

# Net Return upon the Investment

## Expert Hints on an Important Subject

By MONTGOMERY ROLLINS.

THE net return on any investment is the proprtional rate which the income upon any investment bears to the total cost, interest excepted, of that investment, taking into consideration the time which the investment may be outstanding before being paid off.

Stocks, as a rule, have no definite date of maturity, although there are exceptions to this; therefore, stocks are usually figured as perpetual. Bonds and most other classes of investments have a fixed time to run. In the former case, a simple illustration would be that of a stock selling at $200 per share, and paying dividends at the rate of 8% per annum; in which event the ratio of the dividend, $8, to the total cost, $200, would be 4, or, in other words, the net return to the investor would be 4%. If the stock sold at $100 per share and paid $4 per annum in dividends, the net return would be 4%.

In the case of bonds having a fixed date of maturing, the problem is somewhat more complicated, and special tables are in use to which investors usually turn to ascertain what the net return is upon an investment of that kind. It will do to take as an example a bond bearing 5% interest, and which has exactly ten years to run before maturity. If it is sold at 108.18, that is to say, $1,081.80 for each one thousand dollar bond, the net return to the investor would be 4% per annum, which is 4% for each of the ten years, and is 4% upon the entire sum—$1,081.80—invested.

This brings up the point that, although—to use the above example—the bond costs $1,081.80, at the end of ten years, when it matures, the holder will only receive $1,000. In the meantime he will have received $50 yearly in interest. All of this $50, therefore, should not be considered as income, for a sufficient amount of it should be set aside each year to liquidate the $81.80 premium paid for the bond.

Some such expression as this is often seen: "Yielding 4% for the first ten years and 5% for all the time thereafter which the bond may run." This means that the municipality or corporation issuing the bond has the right to pay it off any time after ten years, but may not absolutely be obliged to do so until some later date, say twenty years. These are called 10-20 year bonds, or 10-20's, meaning that they are absolutely due in twenty years, but optional on the part of the issuing party to pay any time between ten and twenty years. It is not safe on the part of the seller of this bond to estimate that it will run longer than ten years. The greater the length of time which any form of indebtedness, with a fixed rate of interest, and selling at a premium, may be outstanding, the greater the percentage in interest return to the holder, at a given price; therefore, in the case of this 10-20 year bond, the seller figures the net return on the basis of its being outstanding ten years only, and, in the case cited, returning 4% to the investor. But should it run twelve years, for instance, before being paid off, the net return to the investor would be, 5% per annum for the two additional years; or, in other words, the full rate of interest which the bond bears.

The shorter the length of time which a bond has to run when selling at a discount, the greater the interest return to the investor, prices being equal; just the opposite from a bond selling at a premium.

* From "Money and Investments."

In the selling of bonds and figuring the interest return, or yield, the following rule must always be observed, if the issue is "optional," so-called, as in the case of the 10-20 year bond just mentioned.

### Rule for Computing the Interest Yield Upon Optional Bonds.

For bonds selling at a premium, the interest return must be computed upon the shortest possible time which the security may be outstanding. For bonds selling at a discount, the interest return must be computed upon the basis of the greatest possible length of time which they may be outstanding.

In buying an issue of "serial bonds" many bidders make the mistake of averaging the life of the issue, and then, by the use of a table of bond values, basing the bids upon this average maturity; whereas, a separate bid should be computed for each maturity and then an average price taken. If bonds are bought by the first method and retailed by maturities, either a loss will result, or a lesser profit than expected.

How to compute the average life, or maturity, of a lot of bonds falling due at different intervals, is best explained by the following example.

To find, on March 1, 1907, the average maturity of

| | | | | | |
|---|---|---|---|---|---|
| $ 5,000 | (par value) | due | July | 1, | 1910 |
| 8,000 | " | " | " | 1, | 1912 |
| 10,000 | " | " | " | 1, | 1915 |
| 7,000 | " | " | " | 1, | 1920 |

From March 1,1907, to July 1, 1910 is 3 1/3 years. Likewise, for the subsequent periods the time is 5 1/3 years, 8 1/3 years, 13 1/3 years.

Three ciphers may be struck out of each of the par value amounts, and we have the following:

$$5 \times 3\,1/3 = 16\,2/3$$
$$8 \times 5\,1/3 = 42\,2/3$$
$$10 \times 8\,1/3 = 83\,1/3$$
$$7 \times 13\,1/3 = 93\,1/3$$

Adding = 30 236

Dividing the footing of the right-hand column by the footing of the left-hand, the average maturity is obtained; namely, 7 87 100 years.

### Bond Values Tables.

Tables of bond values are used to compute the net return on the investment. The writer has many times been asked the principle on which the computation of these tables is based, and surprise is often expressed upon finding that a mere calculation by simple arithmetic does not give the same results as are to be found in the ordinary tables in use. These people have proceeded to take, as an illustration, a bond bearing 6% interest, maturing in ten years, for which they had paid 110. They immediately divide the amount of premium—*i. e.*, 10%—by the length of time the bond has to run—in this case, ten years—and obtain 1 as the result, which they deduct from 6%, and assume, therefore, that the "net return" to them upon the investment is 5%. Ten per cent. premium being charged off at the rate of 1% per annum.

The failure in this reasoning arises from the fact that tables of bond values are based upon the fundamental principle that the holder of a bond is expected, at the maturity of each one of the coupons, to re-invest a sufficient portion of the interest money received, and keep it so invested until the maturity of the bond, so that the face value of the bond added to the accumulation of re-invested interest, will, at its maturity, be exactly equivalent to the original cost of the same.

Right here is where the authors of such tables diverge and form two separate schools, so to speak. The first assumes that the rate of interest at which the money set aside from the maturing coupons shall be compounded is the same as the computed net return upon the investment. That is to say, if a bond is sold at such a premium as to net the investor 6%, it is assumed that the portion re-invested shall be compounded at 6% without regard to the average rate of interest that will probably prevail during the life of the bond. Suppose, for example, an investor in bonds may have one lot netting him 6% per annum and another lot netting him 4% per annum. The assumption arises that a certain portion of the interest payments, even although they may happen to fall due upon

the same day, shall be re-invested at compound interest at 6% and 4% respectively. It seems absurd to assume that those two separate rates of interest will be prevailing at the same time for a similar grade of securities, or that there is any possibility that a holder of bonds will in any way guide himself in the re-investment with any consideration of the "net return" existing upon the bonds in question.

The second school, which is undoubtedly the correct one, but which principle has never been generally adopted, assumes the rate for re-investment of the interest as fixed at some definite per cent., say 4, with entire disregard of the "net return" upon the original investment. It will be seen at a glance that it is much fairer to predict the future investment of money at an average rate of, perhaps, 4%, than in such widely diverging rates as in the first plan.

When a banking firm buys an issue of bonds, or similar security, from any corporation which is not by law compelled to furnish public statements of its earnings from time to time, or where the corporation is of such magnitude that it is customary to furnish a statement of its earnings to the public, such, for instance, as the United States Steel Corporation, it is important that a contract be executed between the corporation placing its securities and the banking house purchasing the same, whereby the latter shall receive semi-annually or yearly sworn statements of the earnings of the company and its financial condition during the time which the issue of securities may be outstanding. Furthermore, that the banking house shall, for a like period, have access to the books of the corporation at any time for the purpose of auditing its accounts and verifying its statements.

---

## Boomlet's Soliloquy.

To bull, or not to bull; that is the question;
Whether 'tis nobler in the bank account to suffer
The slings and arrows of outrageous fortune,
Or to take arms against a set of bruins,
And by opposing squeeze them? To bull; to boom;
And by a boom to say we end
The raiding and the dull disheart'ning knocks
That bulls are heir to, 'tis a consummation
Devoutly to be wished. To bull; to boom;
To boom; perchance to bust; ay, there's the rub;
For in that boom, what knocks may come,
When we have shuffled up against this Standard Oil
Must give us pause. Thus Standard doth make
Cowards of us all. And thus the native hue
Of resolution is sicklied o'er with the pale cold
Dread of Broadway, 26. And the inception
Of great bullish moment, with this regard
Its currents turn awry, and lose the name
Of action.

---

The man who ignores reactions in a bull market and rallies in a bear market is the man who is speculating the way Rockefeller does and is the man who gets the big profits.

---

M. X.—No, THE TICKER cannot be classed with the nature-fakirs. You will find an owl on practically every ticker in every brokerage office. If you doubt this, just approach the instrument and remark something that sounds like a question to the party who presides at the tape. In nine cases out of ten you will open up the flood-gates of wisdom.

# How Hollanders Trade in American Stocks

**By G. M. de Clerq, of de Clerq & Boon, Hartsinck, Amsterdam, Holland**

ALL over the world it would seem that the masses have an innate desire to gamble which has to be satisfied in some way or other. The Italians have their Lotto, the Spanish their bull or cock fights, the English their betting, while the Dutch either buy their ticket for the State lottery or they try their luck on the Stock Exchange. It may well be doubted whether in any other country stockgambling has spread as much as in Holland.

It is very doubtful if the Holland public would take any interest at all in American stocks did not the papers here publish every morning the closing prices of the most active shares on the New York Stock Exchange. When one lives in the suburbs as I do, it is a common sight to see everybody on the station platform eagerly peruse the morning papers in order to find the closing quotation of their favorite stock; and I tell you, it is worth while to watch the expression on their faces.

There are hardly any "bears" in Holland; nearly everybody here is always on the bull side of the market, not because we have so much confidence in American securities but because the existing Stock Exchange rules in Amsterdam make it somewhat difficult to operate on the bear side.

In the train the chief topic of conversation is the American market, not only in the first-class carriages where old and respectable business men discuss with each other what chances one share has above the other, but in the second and third classes the conversation will run on the same subject. Here it is mostly city clerks or humble hard-working tradespeople, many of whom will tell you with striking correctness the latest railroad earnings, the dividend chances of the little Gulfs, (Kansas City Southern), a great favorite here, or when the quarterly statement of the Steel Trust can be expected.

Don't think this surprising interest everybody takes in American affairs exists only in the neighborhood of Amsterdam; no, everywhere you will find it the same. Even in the remotest parts of Holland, whether you go to Zeeland in the South, or to Friesland right up in the North, they will talk to you there about the American market till you get tired.

If I tell you that the Holland holdings of various American shares and bonds were estimated last year at a thousand million dollars you will not be surprised to hear that the American crisis has hit Holland worse than any other country. However, the Amsterdam broker will sometimes find that not all his clients are equally well posted about stocks. Many a gambler will give his order without knowing anything of the stock, but its name, and it needs hardly to be said that such a man is an easy prey to the tipster. As an illustration let me tell you that a London broker having wired to a Dutch client "Bank rate likely to go up" promptly received a reply reading, "Buy hundred bank rates at best."

The speculation here has gone so far that a few weeks ago a society has been formed in Holland for the restriction of gambling. I very much doubt, however, if it will have much success. The Hollanders have always been gamblers and many of your readers no doubt have heard of the great speculation in bulbs which was going on in the early part of the eighteenth century. Later on we had gambling here in sugar, grain, nuts, fish (ansjovis), well in almost everything. By and by business in stocks began to develop, government securities first of all coming into favor, and whereas our wealthy citizens subscribed to Dutch or Russian loans, the small investors were attracted by tempting rates of interest or low prices and not being conversant yet with the risks attaching to this sort of investment, satisfied their speculative proclivities by buying the issues of less civilized states of doubtful faith and means. How many millions of hard earned money have thus been lost in Spanish, Turkish, Grecian bonds or wasted on Mexico, Peru, Guatemala and Honduras securities it is hard to tell. It may safely be assumed, however, that a fair percentage of the money never left Holland but found its way into the vaults of some very enterprising and highly respectable banking firms, whose gains would have made your Mr. Rockefeller squint and your President rage. Endless disappointment of course ensued and something better had therefore to be looked for. In the meantime your country had started railroad building and was offering mortgage bonds bearing interest at the rate of 7 and 8 per cent. at very attractive prices, thus offering possibilities which one could hardly let escape.

It has to be recognized that a few of those early issues have outlived every crisis and have in the end splendidly rewarded the faith of their constant holders; but how much greater alas is the number of securities that went wrong, spreading misfortune or even ruin among the unlucky Dutch holders. Many years have passed since then, but many a name that now only appears in the list of obsolete securities still lives in the memory of many an old Hollander.

Nevertheless in the case of Americans disappointment did not lead to despair, but having an open eye for the unlimited possibilities of your country our public stuck their faith to your bonds and stocks in spite, or perhaps rather on account of, their often uncertain merits, from which they derive their speculative character. They are therefore just the thing we're looking for.

Especially the boom of 1899 seems to have drawn everybody's attention to American securities. The American section on the Stock Exchange was almost weekly enriched with a new stock, but alas, it was not always the best securities which became favorites here. Mostly non-dividend payers, like Southern Rails, Rocks, Denvers, Eries, Hides, Marines, etc., or absolute non valeurs like Consolidated Railway. Lighting & Refrigerating shares which were issued here at 12 per cent. and are now quoted 2 per cent. Still the latter have been very popular and for a certain class of people they seem to have retained their charm. The good dividend paying shares like Atchisons, Unions, Southern Pacifics, Canadians, Norfolk, Baltimores, which were a few years ago extensively dealt in, have more or less disappeared.

The popularity of none of the abovementioned shares, however, can rank with that of U. S. Steels. Everybody owns, or in most cases carries on margin Steel stocks. The conductor of your morning train, the cabby who drives you to your office, yes, even our cook, I suspect of gambling in Steel shares. The total holdings at present are about fifty million dollars, but no doubt they were

much larger before the panic, which frightened or rather forced a good many people out of their holdings. In fact the protracted fall in prices of these and all other stocks brought about a good many failures of private gamblers as well as among provincial firms, who, misled by the reports of unprecedented industrial prosperity in your country had been building up very important speculative positions, which, when the panic came, called for margins far beyond their means.

In those days the sympathies for your stocks, if not for your country certainly received a severe shock and no doubt a jester who was shouting: "Oh! Columbus, why did you not leave it undiscovered?" translated the feelings of many a man on our floor.

As to the way the Hollanders deal in American securities I may give you a few more facts. First of all, the average speculator deals in small amounts, orders on the whole varying between ten and fifty shares, whereas orders for 100 shares or more are rare and transactions of 1000 shares make quite a sensation. In boom times, however, the courage seems to grow as margins increase, so that by the time the rise has run its course a good many positions have been accumulated that run great risk of becoming top-heavy.

As a rule purchases are either made in very firm markets or after a heavy slump in some particular stock which, whatever may be the cause of the fall, makes it look cheap to the uninitiated. A thing which makes every bull run away is the danger of assessment; if a stock keeps falling people will go on averaging their holdings as long as no reconstruction is in sight, but the moment the rumor of an impending assessment reaches them, it is as if the shout of "fire!" were heard in the theatre, everybody wants to get out first; they tumble over each other and of course heavy injury if not financial death is bound to be the result.

*New York Times.*

# Short Sales Explained

THE desire to buy something with an idea of selling at a higher price is inborn in the human mind. It runs through our whole business system and is practiced by everybody.

When, however, it comes to selling something "short," most people are at a loss to know how to proceed. The average man dislikes to sell that which he does not own. There is a remarkable lack of knowledge on this point displayed by people with whom we come in contact.

Suppose that WATCHES were all alike and all of the same value and that they had a market price which fluctuated according to the supply and demand.

Then presume that WATCHES are selling to-day at $25 each. You have an idea that during the next three months you will be able to buy WATCHES at $20, owing to the fact that certain people who are at present carrying large quantities have decided to sell and thereby glut the market. Also imagine that you are not at present the owner of any WATCHES.

You would probably say to yourself, "Suppose I sell a WATCH now at $25, borrow one from some friend, and deliver it to the party to whom I sell it; then when the price gets down to $20, I will buy a WATCH at that price and return it to my friend, making a profit of $5." This process is simple enough and anybody of ordinary intelligence can understand it.

When this rule is applied to selling *stocks* "short," however, the broker does the borrowing and that is the only difference. You give your order to sell 100 Southern Pacific at 85 for instance, and deposit with your broker $1,000 margin which protects you against the rise up to 94¾, which is ten points less your commissions.

Should Southern Pacific decline you give your broker an order to buy 100 Southern Pacific at, say 80, thus closing your trade, and assuring you a net profit of $475. In other words, it makes no difference whether you buy first or sell first so long as you *buy* at a figure which is *less* than the price at which you sell.

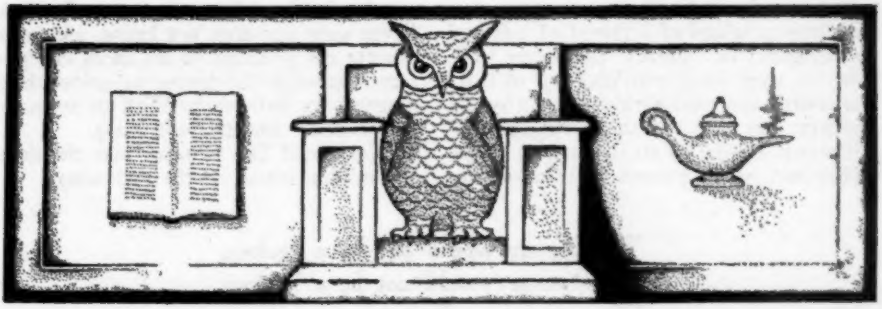
There is no interest on "short" sales. If you will look over your accounts for the past year or two and figure up your interest you will see what an infinite advantage there is in trading on the side of the market which obviates interest charges.

Many people hesitate to go "short" of the market because of the fear of a "corner," which occurs perhaps once in a decade. To those we wish to say that there is not one-tenth as much danger from a "corner" as there is of the bottom falling out of the market. What is more, when you go short of stocks you can always protect your short trades by entering an order to cover at any given point above your selling price. Stop Orders are invaluable and make it possible to trade with limited liability.

It is a strange thing that the majority of people are more frightened over a three-point loss on the short side than a ten-point loss on the long side. We have seen traders buy stocks and "lug" them indefinitely, contenting themselves by saying "Oh! well it will come up again some day," and continue to pay interest and be "out" their money for months at a time.

If, however, these same people were to go "short" of a stock and it should go against them to a very slight degree, they would exhibit considerable anxiety regarding their commitments. There is an old saying: "What goes up must come down." We believe that this axiom can be profitably followed as well as the idea that "What goes down must come up."

Some investors bought Union Pacific years ago at 130, carried it down to $2 per share, paid an assessment and have seen it come up again to 130 without losing their faith in the security. How much better off they would have been if after having acqainted themselves with actual conditions, had they gone "short" at 130, covered and gone "long" at 2.



# Your Own Brains

## Versus Brains Bought, Begged or Borrowed

WHY do the few men succeed in Wall Street while others—the majority—fail?

Is it a question of tips, luck, or having friends on the "inside?"

The few succeed because they use and depend upon *their own brains* and not on brains bought, begged or borrowed.

Why do men attain prosperity in *any* line of business? Is it not because they have brains and use them?

When you undertake a real estate operation do you run around to the neighbors, the barber or the bootblack to ask their opinions? And after you've bought a vacant lot do you sit on it all day, in a rocking chair, buzzing passers-by as to your chances of making money—whether that stable on the next block is liable to affect the value of your lot, or if they have heard of assessments to be levied? Sounds foolish, doesn't it?

TO WHOM IT MAY CONCERN.

Yet that's what you do when you come down into the "Street" with a wad of money and a shoestring of experience and start to show the rest of us how it's done. You make your first trade and a lump rises in your throat when it goes half a point against you. You thought that purchase of yours would be the signal for a pronounced boom that had been all cooked up for your benefit. You neglect your regular business or crib some of the boss's time in order to keep tab on your trade, and can't get your mind on your own work during business hours because you're in a stew over the venture. You phone your broker and learn it's down a point; this upsets you so completely that you are no good for the rest of the day; you lose a $3,000 order because you didn't get in the right argument at the psychological moment, go home and quarrel with your wife, jump on the servant and kick the cat.

All of which represents a miscarriage of justice. What really deserves a kicking is the west end of your own anatomy, for if you were endowed with even a modicum of brains and had used them you wouldn't embark in a new business without serving an apprenticeship or putting yourself through such a course of sprouts as would remove some of the verdancy.

If you launched into manufacturing would you begin by erecting a factory, hiring a thousand hands and putting travelers on the road? Or would you don overalls and learn the business from the ground up? Is there a sane man who will not predict that the overall route, with your own brains as motive power, would eventually lead to your becoming proprietor of a booming business and a fat bank account?

Yet how different his mode of operation when the successful manufacturer enters the security or commodity mar-

kets. Having money to invest or being speculatively inclined, he plunges on a tip from a friend of a friend of a friend of Rogers; he "thinks" Southern Railway is a purchase and loads up with it; he writes to a periodical having a query column and asks the editor's opinion of Missouri Pacific as an investment at 50. This last move proves that he wishes to venture some thousands of dollars on the brains of another man he has never seen nor does not know, and who despite his prestige, is no more competent to predict the course of prices than a new-born babe is qualified to forecast the weather for the year 1999.

We should like to print and circulate ten million copies of the following:

**The broker would not be a broker,**
**The banker would not be a banker,**
**The editor would not be an editor,**
**The tipster would not be a tipster,**
**The prophet would not be a prophet,**
**The discretionary account manager would run only one account—his own, if he knew what the market would do one minute from now,**

If Mr. Carnegie, instead of building libraries, would convert the army of the unemployed into sandwich men and turn them loose from Cobalt to Panama with this sign on their backs, he'd drive home a fact more vital to the American people than—Who wrote Shakespeare? Who invented golf? Or why good whiskey is Scotch.

The man does not live who can, with arms folded, and a placid expression, drift down this financial stream into an ocean of dollars. You've got to figuratively roll up your sleeves and spit on your hands just as in any other pursuit, and your success will be in proportion to the amount of work and brains you put into this job of prying dollars loose from Wall Street.

To ask the advice or trade on the opinion or tip of your friend, your banker or your broker, indicates that you'll probably go broke within the year.

To pay for information (?) at so much a month proves that you out-green the shamrock.

To place the management of your account in the hands of another person means that your heirs should appoint a guardian for you if they hope some day to benefit by your estate.

This is not to say that the broker, or, in fact, the others, would not give you infallible guidance if they were capable of it, but the fact is indisputable that *no one* can do this for you.

A friend once showed me the following letter which Mr. Morgan had written to a friend. It was on his private stationery, dated from the Morgan residence and all in the financier's own hand:

"Replying to your inquiry, I consider Steel preferred a sound investment at par." (Signed) J. Pierpont Morgan.

It was during the panic of 1903 and Steel preferred was then bumping the 50 mark. This simply proves that if the Lord Almighty was running the stock market, his most intimate acquaintance might better use his own judgment.

Learn the rudiments, the cardinal principles thoroughly, before you go within gunshot of Trinity Church. Crowd yourself so full of knowledge on the subject that your brain will feel like a Brooklyn Bridge train in the rush hour. Buy outright as small lots as possible, when no one else wants 'em, and then go away and attend to your business. Don't make a business of speculating until you find that for two or three successive years you have made more at it than at your regular business.

Above all, use your own brains. Don't buy, beg or borrow them, for the man who cannot depend absolutely upon himself has no business within the magic circle.

# Modern Brokerage Establishments

## II. Hayden, Stone & Company

UNDERLYING every big success, in or out of Wall Street, there are certain principles which form the foundation of the enterprise, whether conducted by an individual, firm or corporation. In no line of business do more frequent changes occur than in Wall Street. Therefore, when a New York Stock Exchange firm can point to a long and successful career, with the partners who inaugurated the business still at the helm, these fundamental principles must be of the soundest character.

The strength of a brokerage house lies not only in its latent resources, but in its methods, its system. An establishment to which is intrusted millions of dollars in cash and securites should not judge itself or be judged by the amount of its bank balance, the volume of stocks which it is carrying, nor the proportion of these which it has on hand.

Whether a house is a safe custodian for your assets depends to a large extent upon the amount of cash which would remain if all its customers' accounts were closed out, also upon its policy regarding margins and financing.

A house which deals largely in highly fluctuating securities must of necessity protect its resources and its customers' funds by certain automatic systems having for their object the following:

First. Each client's account must protect itself.

Second. The firm's resources must be kept intact at all times.

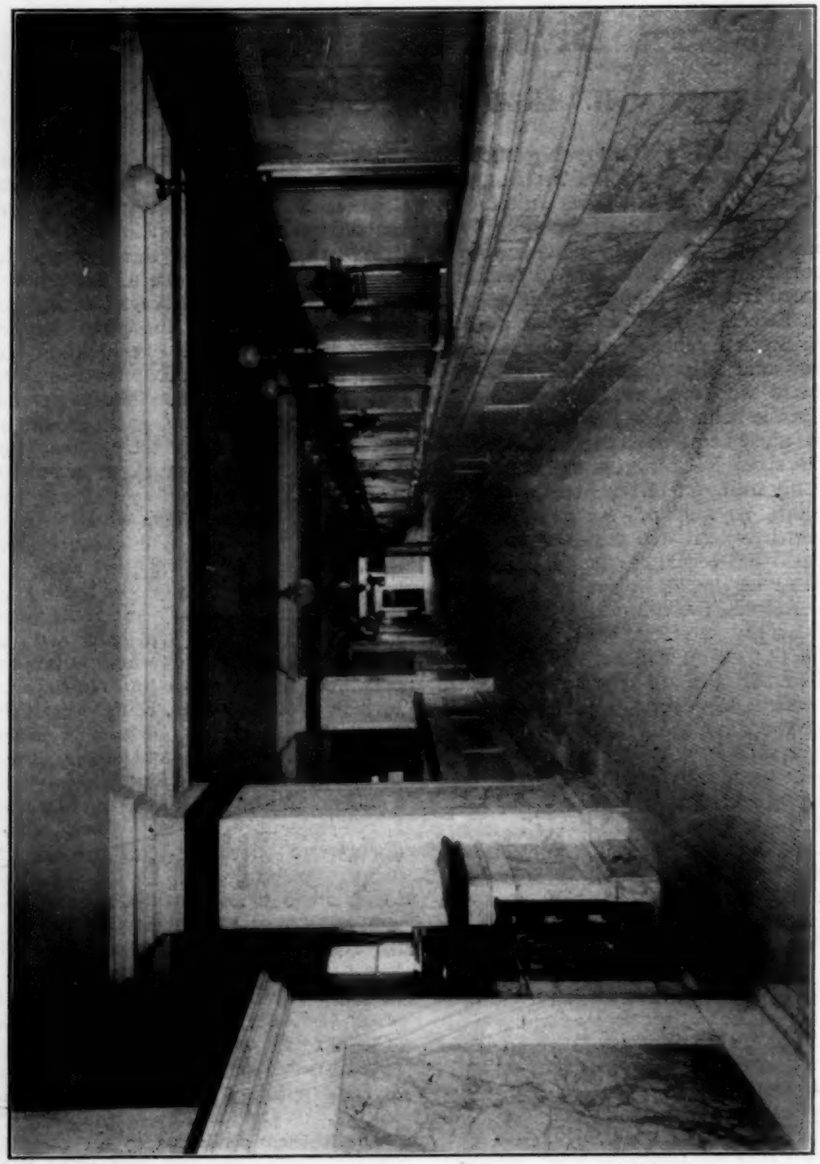
Third. All surplus funds or securities not required for the protection of a client's account should be set aside so that they will be unavailable for any other purpose.

Probably no house in Wall Street is more strict upon this last point than Hayden, Stone & Company, the well-known New York and Boston Stock Exchange firm. Doubtless this is one of the reasons for the firm's long, clean record and the immense business which it has built up both in the metropolis and the New England financial center.

When questioned on this matter, Mr. N. Bruce Mackelvie, one of the resident partners in the New York office, produced a specimen of the Stock Ledger Cards and sketched out roughly their system for making each account stand alone on its own resources. The plan renders it impossible for one account to protect another, or for the surplus margin to the credit of any client to become intermingled with the firm's securities or assets. This system, which is simplicity itself, shows at a glance which clients are long and which are short, together with the "location" of the shares.

"It often happens," said Mr. Mackelvie, "that a client will leave with us fifty or one hundred thousand dollars excess margin. We see no reason why such cash or securities, being practically left with us in trust, should be mixed with our other stocks and bonds, or the equivalent considered part of our bank balance. We expect our clients to keep ample margins with us. When market fluctuations encroach upon this we are obliged to call for more. On the other hand, if the market runs in a client's favor, he is always at liberty to withdraw the excess. If he does not make a withdrawal we practically do it for him. That is, we set aside, in a separate safe deposit box, securities representing the amount of his excess margin. We designate these as 'held in trust,' for they are in trust with us in every sense of the word, just as if the client himself brought them in to us in an envelope marked with his name, and gave them into our custody for safe-keeping.

"Our method places this department of our business on the same basis as the loan department of a bank, where col-



BANKING DEPARTMENT OF HAYDEN, STONE & CO.

lateral for each loan is kept in a separate envelope marked with the owner's name, the amount of his loan, etc. No bank would consider for a moment using 100 shares of Jones & Company's stock to protect Smith, Brown & Robinson's loan, and it is one of the principles of this firm to avoid in the slightest degree the application of one man's securities to another account, or to fool ourselves with the idea that we have these securities on hand, when they really do not belong to us at all.

everlasting regret and failure of the house pursuing such loose methods.

"The only safe method for a New York Stock Exchange house, which is practically a trustee for every dollar intrusted to it by its clients, consists in keeping each account so separate and distinct that it will stand or fall solely upon its own financial condition. We adopted this plan years ago so that we would not deceive ourselves.

"At the close of each day's business we enter in our stock ledger a list of

Union Pac. com.

| Mar | 2 | 3 | 4 | 5 | 6 | 7 | 9 | |
|---|---|---|---|---|---|---|---|---|
| Jones | 1000<br>200 | | | | | | | |
| Brown | 500 | | | | | | | |
| Smith | 300 | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| Loans | 1200 | | | | | | | |
| Box | 400 | | | | | | | |
| In Trust | 200 | | | | | | | |
| | | | | | | | | |

Section of stock ledger used by Hayden, Stone & Company, showing daily position of customers' commitments in each stock, together with number of shares in loans, box, "in trust," etc. Long stocks are in black ink, shorts in red. The small 200 under the 1000 indicates that these 200 shares are set aside to represent surplus margin. For such items an indelible pencil is used.

"Everyone has heard brokers plume themselves on the fact that they had many thousands of shares in their box not required to carry their loans. Many failures in Wall Street can be traced to this very source. A house may be carrying the majority of its clients on the long side in a declining market, which naturally means that most of its customers are losing money. Meanwhile one or two big traders are short big lines and are piling up millions of dollars in profits. Should the house be lenient with its long accounts because of the money rolling in from the shorts? Such a policy would be suicidal. There are instances where this has been done, often to the

longs and shorts in each stock for the day. Against these are put in red ink the amount of stock carried in loans, in the box, and 'in trust.' That item 'in trust' represents all that the name implies. If Jones, who is carrying 1,000 Union Pacific, has excess margin amounting to $25,000 over the amount required by us, we will put aside "in trust" for Jones $25,000 worth of securities. This may be represented by 200 Union Pacific or the equivalent in other marketable stuff.

"In every case we adhere strictly to this proposition. By thus individualizing our securities, so to speak, we fool neither our customers nor ourselves.

# Looking Ahead in Provisions

## By E. W. Wagner

THE situation in provisions is the most interesting in four years. The list is at a "bargain" level, but is held down for the moment by lessened consumption on account of about 20% of labor being unemployed and by the enormous provision stocks at Western points.

The enormous stocks, however, can be regarded as a future bullish point for the reason that the packer has taken in all the hogs as they were poured into his plants and kept a full force of men busy turning them into product.

There has resulted since December one of the biggest torrent of hogs from the farm to the factory ever known. The number of swine on the farms January 1st totaled 56,084,000. The gain over 1907 being about 2%. The increase in the past three years is 18%.

The present record run of hogs comes at a period when consumption is at the lowest point in three years. In January, 1905, there were 47,320,000 hogs in the country and business was starting on its upward swing. At Western points so far this winter packing season there have been about one million more hogs packed since November 1st than during the same period last year. In March and April the hog run usually lets up, but this year the receipts have been liberal. One reason for the pressing of hogs on the market at the 4 to 4½ cents per pound price is the high price of corn. Later on, this same point will be a bull argument on higher priced hogs and on provisions.

Only about twice in a decade does the farmer sell his hogs pell mell at preposterously low prices. When this situation arrives, the packer has to seize his opportunity and take "all marketings" while the country is in a mood to sell cheap. This is the reason the packer has taken the "Hog Rush"—run a big force of men and made large loans to care for his bulky stocks.

In the period ahead he "scents" certain scarcity of hogs and a better market for his product when times "better." This improvement is due later on.

Provision stock increases are now slowly falling in amount. The Premier hog states on January 1st polled 29,768,000 hogs versus 28,787,000 last year. In lard, the cheapness of other products that can be used for the same purpose has been used as a bearish factor.

The present world's stock of lard is around 313,000 tierces, whereas, an average of the previous three years has been about 400,000 tierces. The high and low amounts of provisions in stock at Chicago during 1907 and 1908 follow:

| | | Pork, Barrels. | Lard, Tierces. | Meat, Lbs. | Total Lbs. |
|---|---|---|---|---|---|
| Feb. | 29, '08 | 89,000 | 56,000 | 161,286,000 | 197,000,000 |
| Nov. | 30, '07 | 33,000 | 21,000 | 68,000,000 | 81,000,000 |
| July | 31, '07 | 64,000 | 146,000 | 140,000,000 | 202,000,000 |
| June | 30, '07 | 72,000 | 144,000 | 142,000,000 | 204,000,000 |

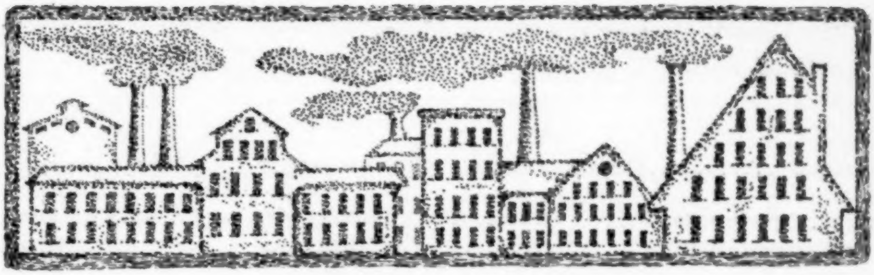
Exports are as follows to date from July 1st each year:

| | Pork Bbls. | Lard, Bbls. | Meat, Boxes. |
|---|---|---|---|
| 1907-8 | 99,000 | 403,000,000 | 764,000 |
| 1906-7 | 104,000 | 423,000,000 | 836,000 |
| 1905-6 | 114,000 | 496,000,000 | 899,000 |

Provision prices are probably around the lowest point at which they will figure in a long period. The lowest prices were seen in January. Some liquidation of May products may be expected. The following comparison of May prices illustrates the present great depression in prices:

| | Mar. 6, 1908. | Mar. 5,1907. | High for 1907. |
|---|---|---|---|
| May Pork ........ | 12.30 | 16.50 | 16.62½ |
| May Lard ........ | 7.95 | 9.60 | 9.40 |
| May Ribs ........ | 6.85 | 9.25 | 8.62½ |

The high prices in 1907 were made in October before the panic.



# How the Amount of Wealth in the Country Affects Business.

## By Roger W. Babson.*

**Being the second of a series of articles relating to the twenty-five subjects coming under the head of Fundamental Statistics, referred to in Mr. Babson's previous article, entitled "The Theory of Financial Statistics," and fully covered in his book, "Investments—What and When to Buy?"**

WEALTH, according to Theodore E. Burton, comprises "all things which are alike useful, limited in supply, and transferable. All wealth is produced from, or created by, land, labor, or capital.

Land includes every form of nature in earth, seas, or air, together with the natural forces which may be set at work. It is the source of our so-called "raw materials."

Labor includes physical strength and exertion, and the mental qualities which furnish them with method and ingenuity.

Capital, technically defined, is wealth withheld from immediate consumption for the purpose of producing wealth in the future. It includes food, clothing, and fuel for support of those engaged in the production of wealth, necessary seed for planting, raw materials for the finished products of manufactures; or, if we look at the subject from the standpoint of the employer or capitalist, money for wages and the purchase of supplies. These may be included in the term circulating capital. There is also fixed capital, which includes tools, machines, factories, buildings occupied or used by those engaged in productive employment, improvements upon land, likewise ships and railways with all their equipment.

Nations are rich or poor not in proportion to the amount of land or natural resources which they possess, but according as they have an abundance or lack of capital."

The above describes what is technically known as wealth in the figures compiled by statisticians and economists. A concrete example of what constitutes wealth may be found in the following tables.

Each year an estimate is made of the total wealth of the country, the estimate for 1907 being $125,000,000,000; and every four years this estimate is itemized as shown by the following table. The study of this table will enable one to ascertain immediately what items are included and what changes occur in those items.

As the business man is much more interested in the relation of wealth to prosperity than in any definition, let us examine history to ascertain how the wealth of the country has affected conditions in the past. The first great crisis which this country experienced was in 1837; it was preceded by six years of great prosperity. This was the time that railroad building first became active. The railroad mileage of this country had

ESTIMATED WEALTH OF THE UNITED STATES.

*National wealth*: (Reports have not been itemized since 1904).

| | 1907 dollars. | 1904 dollars. | 1900 dollars. |
|---|---|---|---|
| Total | $125,000,000,000 | $107,104,211,917 | $88,517,306,775 |

| | 1904 | 1900 |
|---|---|---|
| Real property taxed | 55,510,247,564 | $46,324,839,234 |
| Real property exempt | 6,831,244,570 | 6,212,788,930 |
| Live stock | 4,073,791,736 | 3,306,473,278 |
| Farm implements and machinery | 844,989,863 | 749,775,970 |
| Gold and silver coin and bullion | 1,998,603,303 | 1,677,379,825 |
| Manufacturing machinery, tools, etc. | 3,297,754,180 | 2,541,046,639 |
| Railroads and their equipments | 11,244,752,000 | 9,035,732,000 |
| (a) Street railways, etc. | 4,840,546,909 | 3,495,228,359 |
| (b) All other property | 18,462,281,792 | 15,174,042,540 |
| Grand total | $107,104,211,917 | $88,517,306,775 |

a. *Street railways, etc.* (itemized).

| | 1904 | 1900 |
|---|---|---|
| Street railways | $2,219,966,000 | $1,576,197,160 |
| Telegraph systems | 227,400,000 | 211,650,000 |
| Telephone systems | 585,840,000 | 400,324,000 |
| Pullman and private cars | 123,000,000 | 98,836,600 |
| Shipping and canals | 846,489,804 | 537,849,478 |
| Privately owned water works | 275,000,000 | 267,752,468 |
| Privately owned electric light and power stations | 562,851,105 | 402,618,653 |
| Total | $4,840,546,909 | |

b. *All other property* (itemized).

| | 1904 | 1900 |
|---|---|---|
| Agricultural products | $1,899,379,652 | $1,455,069,323 |
| Manufacturing products | 7,409,291,668 | 6,087,151,108 |
| Imported merchandise | 495,543,685 | 424,970,592 |
| Mining products | 408,066,787 | 326,851,517 |
| Clothing and personal ornaments | 2,500,000,000 | 2,000,000,000 |
| Furniture, carriages, etc. | 5,750,000,000 | 4,880,000,000 |
| Total | $18,462,281,792 | $15,174,042,540 |

NOTE:—C. A. Conant, who was authorized by the Census to estimate outstanding securities in the United States, gave in the *Atlantic Monthly* for January, 1908, a preliminary estimate in the United States of $34,514,351,382, or $414.54 per capita, of which $10,120,418,699 is held by holding companies. He figures par value of outstanding securities in Great Britain as $26,400,000,000, or $616.97 per capita in France $19,500,000,000, or $500.94 per capita; in Germany $10,000,000,000, or $177.41 per capita; and in Holland $2,200,000,000, or $405.08 per capita. For 14 countries the aggregate is $111,077,764,333, or $196.17 per capita.

grown from 23 miles in 1830 to 1,500 miles in 1837. Simultaneously with this growth in railroad mileage, new towns had been founded, new enterprises launched, desert lands had become taxable, farm property and the wealth of the country had rapidly increased. If anyone will turn to the records of these times, he will find that the wealth of the country showed a greater increase between 1832 and 1837 than during any previous ten years of our history. A vast variety of new enterprises were started, bank deposits enlarged and there was great interest in trading, shipping, manufacturing and real estate. In fact this great increase in real estate speculation resulted in greatly increasing the assessed valuation of both city and country property.

The next great panic came in 1857. We find that this was preceded by a period of great increase in wealth. After the panic of 1837 came a period of great depression and, although conditions improved in 1844 and 1845, yet there was no great advance until the discovery of gold in 1849 and 1851. In 1852 California was actually sending millions of dollars in gold to New York. Shipping received a tremendous impetus both on account of the trade with California and on account of the Crimean War in 1854 and 1855. There was also a great increase in railroad mileage, which increased from only 5,600 miles in 1847, to 24,500 miles in 1857. In other words, in 1830 there were but 23 miles of railroad and in 1837, the year of the great panic, this had been increased to 1,500 miles. During the ten years between 1837 and 1847 less than 3,400 miles of new track were constructed, yet in the ten years from 1847 to 1857, about 20,000 miles were constructed. When studying these figures it seems that a child could almost have prophesied a panic for 1857. With the building of these 20,000 miles, thousands of new towns were setled, millions of acres of non-taxable land became taxable as farm land, and a vast number of manufacturing and other enterprises were started. This resulted in another great increase in wealth equaled only by the increase which preceded the panic of 1837. As a result the panic of 1857 immediately followed, resulting in bankruptcies, suicides, and immeasureable destitution.

The next great panic was in 1873. This was due to various causes, but the wealth was certainly an important factor. During the Civil War of the sixties there was a great destruction of wealth and taxes on all property greatly decreased. This was due partly to deterioration in values and partly to depreciation of the currency, but largely to the fact that the attention of the people had been turned away from productive industry. Plough shares had been turned into swords with an accompanying decrease in the amount of productive capital. When the Civil War was over, both the South and the North again gave their attention to agriculture, manufacturing and commerce, and the result was an unprecedented rebound. During the early sixties taxable property decreased, during the early seventies it rapidly increased. The increase in wealth between 1868 and 1873 was greater than it ever had been in the history of the country. If later panics (including those of 1893 and 1903) are studied, the same law will be found to be true in these cases. We can, therefore, confidently affirm that a "Period of Abnormal Increase in Wealth" is sure to be followed by a "Period of Depression" the same as follows abnormal "Increase in the total money in circulation," as described in last month's article.

The above illustrations are sufficient to show how vitally the business man's interests are related to this subject. Whether a small storekeeper, a retailer, a manufacturer or a great merchant, his welfare is most intimately related to the total wealth of the country. Many lessons may be drawn from this fact for all classes of people. When the wealth of the country is rapidly increasing, laboring men should carefuly harbor their resources in anticipation of unemployment, which is sure to follow. When the wealth of the country is greatly increasing the business man should be very careful in extending credit and watch his collections with the utmost scrutiny. Moreover, they themselves should not be enticed by low money rates and ability to borrow; they should reduce their loans and indebtedness. Investors during

such periods should be very loath to invest their money even in the best securities. Not only is one much more liable to invest in unsafe securities during these periods, but good securities at such times are selling at prices altogether too high. If one will refrain from investing during such periods, he is sure to be able to obtain these same high-grade securities for much less money by waiting. In other words, during such periods of seemingly abnormal prosperity, the investor should leave his surplus funds on deposit with a good bank and await the period of depression which is sure to follow.

The manufacturer and wholesaler should be especially careful not to become too greatly overstocked with goods during periods of abnormal prosperity. The average merchant and manufacturer who gives no attention to the subjects discussed in these articles, buys goods when prices are at their highest and refuses to buy when prices are at their lowest. The great merchants, however, who closely watch the rise and fall in the wealth of the country, are able to forecast these changes, consequently they carry low stocks of goods and are very careful about their collections and outstanding notes during such periods. On the other hand, they borrow large sums of money and purchase large stocks of goods during "Periods of Depression" when their competitors are discouraged, unprepared and crippled. Therefore, whether the reader of these articles is a laborer, a storekeeper, an investor, a manufacturer or a great merchant, it will be greatly to his material advantage henceforth to make a careful study of the progress of the United States in wealth and general prosperity.

There is, however, a difference between spectacular or tabular wealth, and latent wealth. As the former, which we have previously discussed, is always dangerous and indicative of coming hard times, so the latter insures future prosperity, being indicative of sound underlying conditions. In view of this latter fact, we are very glad to state that the latent wealth of the United States exceeds that of any other country in the world and its area of 3,000,000 square miles is able to support a population of 500,000,000. We herewith submit an analysis of the situation prepared for the "Manufacturers' Record."

All Europe has 42,800 square miles of coal area; the United States has 340,000. Even this difference of eight to one does not express the full advantage we possess. In actual quantity the margin in our favor is possibly twice as great as in area. Of Europe's 42,000 square miles, largely more than one-half is in Russia, which can hardly be counted as a trade competitor in the world's affairs. Great Britain, Germany and France, the centers of European activity, have only 14,400 square miles of coal. West Virginia has more than these three, and so has Kentucky. The South has more than four times as much, and the United States twenty-five times as much.

The vastness of our resources for iron and steel making immeasurably adds to the value of our coal. We already make about as much iron as Great Britain, Germany and France combined. A report made a few years ago to the Swedish Government estimated the total iron ore supplies of all Europe at about 8,900,000,000 tons. Much of this is of very low grade ores, running in some cases only twenty to twenty-five per cent. in metallic ores. In this country we have, according to the reports of the United States Geological Survey, of known ores 12,000,000,000 tons, or largely more than all Europe. Granted that other sources of supply will be found in other lands, it is quite possible that such discoveries will be fully matched by discoveries in this country. The United States Geological Survey credits the Lake Superior region with 1,500,000,000 to 2,000,000,000 tons, and the South with over 10,000,000,000.

Second only in the value of annual product is the cotton manufacturing of the world. No other industry except iron and steel exceeds the annual output of cotton goods. Though Europe had 86,000,000 of spindles, though its cotton mills and kindred interests represent an investment of $1,500,000,000 or more, its leading cotton-consuming countries do not raise a pound of cotton. Stronger to-day than ever before is the South's monopoly of the world's cotton trade. Every year adds to the influence

and power of its position in the world's textile interests. We are raising an average of about 12,000,000 to 12,500,000 bales of cotton a year. We could double that by better cultivation and more careful selection of seed, without the necessity of adding a new acre to the land under cultivation. Whenever it may be needed we can, however, easily double the number of cultivated acres. If the world should eventually need, as in all probability it will, 40,000,000 to 50,000,000 bales from the South, this section will be able to supply it, providing the labor can be secured to produce it, and the labor must be found to meet any pressing needs of the world.

If the coal in the State of West Virginia could be capitalized at ten cents a ton—a triflingly small figure to represent the value of a ton of coal—the total capitalized wealth of the coal of that one State would be $10,000,000,000. This would be about twelve times the combined capital of all the national banks in the United States. West Virginia is marvelously rich in coal, and Kentucky is about equally rich. The coal and iron of Alabama combined ought to be worth in the future as much as the coal of West Virginia. There are other States in the possession of mineral resources that nearly match these richly renowned commonwealths.

We have oil enough to light the world; natural gas sufficient to run many thousands of prosperous factories and furnish heat to many millions of inhabitants; through Louisiana we dominate the sulphur trade of the world, and sulphur is one of the essential elements in many lines of industry, as well as in many thing necessary to mankind. Tennessee and Florida have more phosphate rock as the basis of the manufacture of fertilizers than is known of elsewhere in all the world. Montana and other States produce a very large proportion of the world's copper, without which the electrical industries of the earth would be halted.

Having an area 80 per cent. as large as that of all Europe, we have no such vast, almost uninhabitable, regions as are to be found in portions of Europe. Nowhere in all our land are the winters so rigorous as to make the development of the country impossible. While we have 85,000,000 population against Europe's 400,000,000, we have eight times as much coal area; we have far more iron ore; we have a cotton crop worth annually $800,000,000, while in Europe there is none; we have wheat and corn averaging annually about 3,400,000,000 bushels against Europe's 2,200,000,000 bushels; we have 225,000 miles of railroad, against 195,000 miles for all of Europe; we are making almost as much pig iron as Europe; we are mining over 60 per cent. as much coal. What we are doing, however, is not so striking or so remarkable as are the limitless potentialities which will enable us to do in the future far more—many times more—than all of Europe is doing.

In all the development of our country there is nothing more remarkable than the advance in the prosperity of our farmers. Between 1870 and 1907 the value of farm products has risen from less than $2,000,000,000 to $7,400,000,000, the value in the latter year being 3½ times as great as that in the former, although during the same time the number of people engaged in agriculture has not been quite doubled. The total number engaged in agriculture in 1870 was 5,992,000 and the total number at present is 11,500,000. This remarkable change is shown in the fact that the value of agricultural products per capita for all engaged in agriculture, which was $286 in 1880, has been steadily rising, until in 1907 it is over $600 per capita.

In the development of manufacturing we have seen an increase commensurate with the progress in agriculture. The value of all manufactured products, which in 1870 was $4,232,000,000, is now running at the rate of over $17,000,000,000 a year, the aggregate of manufacturing products and mineral output being nearly $19,000,000,000.

*(To be continued.)*

# Discretionary Accounts.

## A letter to the Man Who Wrote This Advertisement.

FINANCIAL.

**To Whom It May Concern:—**

ABOUT EIGHTEEN YEARS AGO I CAME TO NEW YORK FROM THE WEST WITH ABOUT $50,000. After being here a few months I drifted down in the financial district with a view of making a little money in stocks. Like all others I made a few dollars and lost more, until my money was all gone. Then I had to go West again to get on my feet. I went to Alaska, remained something over two years, worked hard, saved my money and returned to New York with $65,000. The morning after I arrived from Alaska I hurried to a broker's office to make back the $50,000 I had lost. IT IS NO USE TELLING YOU THE LONG STORY. I LOST OVER $50,000 MORE BEFORE I CAME TO MY SENSES.

THERE IS NOT A MAN ON THIS EARTH THAT CAN BEAT THE STOCK MARKET unless he gets information from some source that is reliable. I have never known but one man who beat the market CONSISTENTLY every month for twelve months. This man has made from $5,000 to $10,000 per month through friendly relations with prominent financiers. KNOWING MY LONG SERIES OF HARD KNOCKS he has agreed to help me, PROVIDED I WILL NOT TRADE IN OVER FIFTEEN HUNDRED SHARES. At the present time I am not able to trade in over five hundred shares for my own account. I WANT THREE OR FOUR PEOPLE TO JOIN ME AND PLACE DISCRETIONARY ACCOUNTS FOR ME TO HANDLE. I feel confident I can make each account show a profit of one hundred per cent in three months—possibly considerably more. MY TERMS ARE SIMPLE ENOUGH. If I fail to make one hundred per cent in three months I want ABSOLUTELY NOTHING. If I make it I am to have whatever you think is fair to pay for my trouble. Each account must have at least twelve points margin and be with a Stock Exchange house where I can get at it in a moment's notice. PREFER PEOPLE TO JOIN ME IN THIS OPPORTUNITY WHO, LIKE MYSELF, HAVE LOST money until they are SICK AND DISGUSTED WITH THE STOCK MARKET. Will not bother with accounts that trade in less than one hundred shares. ACCOUNTS OF WOMEN WILL NOT BE CONSIDERED. Will not take but four accounts to handle, and the men who place these accounts for me to handle must be THOROUGHLY DECENT, up to date men. HAVE NO TIME TO WASTE ON THE OTHERS—"LIFE IS TOO SHORT." My first trade will be made about the 20th. In the meantime it would be advisable to wire me so I will get it early Monday morning. But do not wire or write unless you mean business. STOCKS [illegible]

SUNDAY would be a dull day, marketwise, were it not for the financial columns of certain newspapers.

It is here that a man lacking an audience, or following, may purchase one at the "line rate" with double price for display. Each week there is presented a new plan for money-making, so no one need go a-begging for want of a method suited to his needs.

To-day your advertisement happens to be the feature—not, as is usual, because of its size, but on account of its absolute frankness. While I do not for a moment question your integrity, I must say that your proposition is so unique in its disinterested benevolence, that, in submitting it to a voracious public, you are simply jeopardizing your own interests.

In brief, you have a friend with "infallible inside information" who will supply you with an A1 copper-riveted, superfine brand of tips.

His limiting you to 1,500 shares is all right enough; doubtless it would imperil the source of his information were you to swing too big a line. But if, as you claim, you are able to carry 500 shares for your own account, why not use your profits (which must accumulate as a result of such reliable advices), as margin for trades in larger lots. If your friend can "beat the market" consistently every month for twelve months, and you follow his instructions, it is obvious that in a remarkably short while you can handle 750, 1,000 and 1,500 shares of your own and thus you will gather in *all* the profits.

You see, if you take on three or four other fellows now, and trade for them, your combined profits will pile up so fast that in no time at all you'll be right bunk up against the ceiling—unable to soar higher. The share which you now give them will grow as fast as yours. You're simply killing your own chances!

If you are so confident of making 100 per cent. for them in three months why not be a little hoggish just this once and keep all you can toward the $100,000 you lost? According to your own agreement if you only make 95 per cent. for them in three months you won't get a cent for your trouble. Think of what you might do with this 95 per cent. if it were yours.

Why, you could trade in 950 share lots!

Are you sure your friend is not deceiving you? You know it's a very difficult thing to make money month in and month out. I've talked with and watched some of the biggest traders and have noticed that they occasionally had to take severe losses. They simply aimed to have their profits exceed their losses in the long run. Mr. Keene doesn't figure on beating it more than about 40 per cent. of the time; he says if he could make it 60 per cent. he'd own New York. Still your friend may be private secretary to E. H. or John D., or maybe he's next to some other good "leak." Any way I trust he's on the level. These ideas simply occurred to me. Hope you don't mind my mentioning them.

When you first came down into the "Street" had you any previous experience in speculation, or did you just sail in and slosh around? That's why most people lose—without knowing their A B C's they enter financial spelling matches in which jawbreakers are dealt out. It was tough to lose that first fortune, but perhaps you were trying your hand at something new. In this case you probably presented too much of a broadside to the enemy.

I can see where you made one mistake. You say, "The morning after I arrived from Alaska I hurried to a broker's office to make back the $50,000." You shouldn't have hurried, because the market was there the day after, and is there even now. Having been out of touch with things for two years you should have taken time enough not only to eat your breakfast, but to post up thoroughly on what had been doing while you were away.

You remind me of the fellow who had a red hot tip on a horse in the first race at Sheepshead. He drew every last dollar out of the bank and hurried down to the track, arriving breathless just as the gong rang and the crowd yelled "They're off!" Bolting up to the nearest bookmaker he threw down his roll, named his horse and stood there paralyzed with excitement till the race was over. His horse was never heard from. He left the track, broke, vowing "never again." Didn't even look in the paper to see if his choice had arrived home before dark. Had he done so he would have learned that the horse was "scratched" long before the horses went to the post. Some people are "scratched" before they start. Others "scratch" themselves. Nothing personal in this, however.

Altogether, I think you were rather lucky in losing only two fortunes before you came to your senses. I've known some men to go through several before they woke up and found themselves playing something for which they were totally unfitted.

But having passed through such an experience as yours — an experience which seems to prove that you are not yet an expert trader, do you not think I would be runnig some risk in going in with you on this deal, if I should so decide? Surely something must depend upon the judgment to be used by you at critical moments.

I am considered by my friends a fairly decent sort of person—sufficiently up-to-date to want to make a dollar, with the least risk and trouble, but I always want a good show for my white alley. I may be slightly skeptical as to your "making good" on this deal, but this is due to burnt fingers rather than lack of faith in human nature.

With best wishes for your success,

I. Pass.

# Why Not Investment Experts?

## Demand for Advice and Opinions on Investments, Suggests the Establishment of a New Profession

"I SHOULD like your advice on some bonds which I contemplate purchasing," said an investor, taking a seat beside my roll top.

"Am afraid you'll have to excuse me," was the reply, "it's against our policy to give advice or opinions on securities, but I shall be glad to refer you to a thoroughly reliable bond house."

"That's the very thing I wish to avoid. An unbiased opinion is what I'm after. The bond house will recommend something it owns and wants to unload on me."

"Ah!" said I, "your remark discloses the fact that you have been dealing with the wrong class of bond houses. Let me put you right on this subject, and you will see that the term 'unload' cannot be properly applied when you place yourself in the hands of an old established house, famed for its integrity and conservatism. Such a house does not 'unload' anything. It purchases an issue of bonds after thoroughly investigating the property securing the mortgage, together with the character and stability of the company's earning power. The purchase is made with its own money, this in itself constituting a guarantee of safety which the investor could not otherwise obtain.

"That is all right as far as it goes," he butted in.

"Well," I replied, "the issue is retailed to clients who purchase largely on the recommendation of the house, which stakes its reputation on the blue ribbon it pins to the issue."

"That's all good enough," said my friend, "but how am I or how is the average investor to know whose blue ribbon counts for anything?"

"The trouble with the investment business is," he continued, "there is no recognized authority. Every house has its own axe to grind and there is no individual of prominence to whom an investor may go for an unbiased opinion, and be sure of getting it. If you are buying a mine there are experts of unquestioned ability and reputation who, for a fee, will examine and report the exact value represented; if you contemplate the purchase of a building there are appraisers whose services are available; but this buying a bond because the house having it for sale recommends it, seems to me like going to the manufacturer of Carter's Little Liver Pills and asking, 'What's good for the liver?' You cannot expect him to recommend Warner's Safe Cure nor Pale Pills for Pink People, although he may know in his heart that the pale kind are just what you need."

"Take the medical profession as an example," he went on. "When you are ill you go to a doctor. After the usual questions and an examination of pulse, tongue, etc., he forms his diagnosis, searches his brain for a remedy best suited to your ailment and prescribes it for you. In surgery, experts are at hand who may be called in for consultation alone, and who take no part in the performance of an operation."

"Now, I want to know this: Why cannot this High Authority plan be applied to the investment business? There ought to be some one of wide experience and established reputation—an expert noted for his care, accuracy and conservatism in such matters—to whom the investor can go and lay down $5, $10, or $25, in exchange for money-making or money-saving advice. Such a personage would

have to stand on a plane with George Washington and Caesar's wife. He must have no connection with any bond house or brokerage establishment, and must permit nothing whatever to, in any way, warp his judgment. He must know all securities and keep actual records of earnings and statistics which show not only whether a security is safe, but whether it is advancing or declining in point of safety.

"As we have recently seen, the legal investment of to-day may be illegal to-morrow. These events usually cast their shadows before and should be taken advantage of by those in touch with the expert.

"Think of the value of having such a man to go over the list of securities held by an individual, an estate or institution, once or twice a year! Mind you, he must be an authority beyond all question, and this is something which will take years to establish. That there is need for such a guide is beyond all dispute."

"You have set me thinking," said the writer, "and I am going to cogitate on this for a while, and if it seems reasonable I will submit it to a jury composed of the great American investment public on one hand, and the dealers in investment securities on the other."

And so here we are with the question, which we put to every one interested in the subject of safe, conservative and profitable investment:

Do you think, if such an expert were to establish himself he could ultimately attain the confidence and patronage of large and small investors?

What would be the effect of such an innovation?

Do you personally favor it?

We shall be glad to hear from our readers on this subject. Your combined communications will unquestionably prove valuable to yourself and to others.

# The Law of Exchange.

## J. ARTHUR JOSEPH.

It is beginning to dawn now upon the community that the war against stock exchange methods will meet with ignominous failure. The law of exchange will not be tampered with. If it should be, it would wreak vengeance that men little imagine. Next we may expect interplanetary convention between the world and Mars to prevent recklessness in the empyrean—so practical and so discriminating have most suggestions for the correction of an acknowledged evil been.

The subject has become of a delicate and awful nature. It has become the fashion to denounce, denounce, take breath, and denounce again. Discrimination is not exercised. He who would winnow the wheat from the chaff is at the best a cold reactionary; his purposes are not above suspicion. And he who would be so bold as to suggest a law of a workable and equitable character, one that would not do violence to the constitution of State or nation nor offend even more insistent laws of healthful economics, would be a novelty indeed. A fool, he would hold back the tide which taken at its flood, affords such splendid opportunity for expansive utterance.

The political economists of an older school used to divide economics into three divisions — production, exchange and consumption. Many of a newer school maintain that there are but two grand divisions—production and consumption. But they do not eliminate and abolish exchange as a most important factor; they simply include it in production. Its positive and creative importance becomes by that transition not less but more conspicuous. And what is exchange? It is one of the means of creating economic goods, or, rather, the utilities embodied in them. It is comparable with transportation of commodities. It effects a transfer of things themselves or of the evidence of things, of debts and credits, whereby business is carried on with the best economy and to the best advantage. It is the primary business of the stock exchange. And credit its its life. The denunciation of stock exchange gambling has been so broad and indiscriminate that it amounts to the denunciation of the very law of exchange itself.

# Par Values and Commission Rates.

## ON STOCKS OF LESS THAN $100 PAR.

**The fact that certain stocks are quoted in New York on a different basis from Philadelphia or Boston has led to considerable confusion among novices. The irregularity in the commission requirements on certain stocks of low par value is also puzzling. We have therefore prepared the following table which we trust will elucidate many of these questions:**

| Stock. | Par. | At a Price of. | Value of 100 Sh. | Quoted in N. Y. | Quoted in Boston or Phila. | Commission on 100 Sh. N. Y. Stock Ex. |
|---|---|---|---|---|---|---|
| Anaconda Copper...... | $25 | 32 | $3,200 | $32 per sh. | $32 per sh. | $12.50 |
| Balakalala Copper ..... | 10 | 3 | 300 | 3 per sh. | 3 per sh. | 12.50 |
| Batopilas Mining...... | 20 | 3 | 300 | 3 per sh. | | 12.50 |
| Buffalo & Susq. pfd.... | 50 | 80 | 4,000 | 80% of par | | 6.25 |
| Cleveland & Pitts. guar. | 50 | 160 | 8,000 | 160% of par | | 6.25 |
| Del. Lack & West..... | 50 | 450 | 22,500 | 450% of par | | 6.25 |
| Evansville & T. H. com. | 50 | 70 | 3,500 | 70% of par | | 6.25 |
| Evansville & T. H. pfd. | 50 | 80 | 4,000 | 80% of par | | 6.25 |
| Lehigh Valley......... | 50 | 54 | 5,400 | Not listed | 54 per sh. | Not listed |
| Long Island........... | 50 | 35 | 1,750 | 35% of par | | 6.25 |
| Morris & Essex....... | 50 | 170 | 8,500 | 170% of par | | 6.25 |
| Newhouse Mines & S.. | 10 | 8 | 800 | 8 per sh. | | 12.50 |
| N. Y. & Harlem...... | 50 | 300 | 15,000 | 300% of par | | 6.25 |
| Pennsylvania .......... | 50 | 112 | 5,600 | 112% of par | 56 per sh. | 6.25 |
| Reading Com. ....... | 50 | 100 | 5,000 | 100% of par | 50 per sh. | 6.25 |
| Reading 1st pfd. ..... | 50 | 86 | 4,300 | 86% of par | 43 per sh. | 6.25 |
| Reading 2nd pfd. ..... | 50 | 78 | 3,900 | 78% of par | 39 per sh. | 6.25 |
| Tennessee Copper...... | 25 | 30 | 3,000 | 30 per sh. | 30 per sh. | 12.50 |
| Utah Copper.......... | 10 | 26 | 2,600 | 26 per sh. | | 12.50 |
| Western Maryland..... | 50 | 12 | 600 | 12% of par | | 6.25 |
| West'gh Elec & Mfg.. | 50 | 44 | 2,200 | 44% of par | 44 per sh. | 6.25 |
| West'gh Elec 1st pfd. .. | 50 | 80 | 4,000 | 80% of par | 80 per sh. | 6.25 |

**When giving orders in New York on stocks of $50 par, such as Pennsylvania and Reading, it is well to remember that 200 shares of these equals 100 shares of New York Central, Union Pacific, and other stocks of $100 par value. Therefore it prevents misunderstanding if you instruct your broker to buy or sell "100 full shares." This he will understand to mean 200 half-shares.**

# The Problem Story Contest

## Answers to "Who Gets the Profits?" Are Many and Varied

**Sorry we can't print all the interesting solutions to "Bards" Problem Story. It certainly is a nut to crack.**

**In the first bunch of opinions the owner of the bonds seems to be the favorite by a small margin, but the others are close up.**

**So far, not one of our attorney friends has assumed the oracular by dragging in the library. Let's hear from them as well as more of such good fellows as are quoted below.**

---

**Here are a couple from Waterman, Anthony & Co.'s office which illustrate the diversity of opinion.**

If these bonds were coupon bonds ownership cannot be proven, and operator is entitled to profits in transactions the same as would happen in case said operator had cashed a check payable to bearer. The party cashing said check would not be responsible. The signer of the check would have to stand the loss.

If registered bonds, ownership can be proven and the broker would be responsible, as it is his duty to verify the ownership. The profits in the transaction should go to the owner of the bonds.

ALBERT McCLAVE.

---

Neither the owner of the bonds nor the man who found them are entitled to the profits. The broker should get the money for this reason: Had the amount represented by the bonds or part thereof been lost, the broker would have been responsible to the rightful owner for not investigating the ownership. Therefore, the owner, not taking any risk, cannot be entitled to any gain. On the other hand, the man who found them also stood to lose nothing. The only party concerned who took a risk was the broker, consequently he is entitled to the profits.

PAUL FOERSTER.

---

**From an Attorney in Joliet, Ill.**

There can absolutely be no doubt, "Who is right." Negotiable instruments, as notes and bonds, are frequently stolen, lost or tortiously taken. Does the owner lose such property? No, even though such bonds may be bought by an innocent purchaser for value. The owner of the bonds never lost his title to them and on demand to the brokers at any time, they would have had to return them to him. The interest accruing on the bonds while out of his possession also belong to him, but this is all he did own, and the trading done was a matter in which he had no interest.

Supposing "A." came to a broker and said, "J. P. Morgan is my friend and willing to back my trades," and that the broker would accept this statement in lieu of the cash margin, and that the deals resulted favorably; can it be said that J. P. Morgan could as a matter of right claim the profits? Certainly not. J. P. Morgan had no interest in the transaction, incurred no liability and the statements made were unauthorized by him. So in this case, the owner of the bonds had no interest in the trade, incurred no liability to himself, his bonds were not liable in case of a loss, and the putting up of the bonds as security for the trade was unauthorized by the owner of the bonds.

The broker had no more security than if he had accepted a counterfeit check or if the bonds were so much waste paper. "Dil Winkle's" friend gets the profits.

EDWARD R. NADELHOFFER.

**A neighbor of Tom Lawson writes,**

Cutting away the drapery that serves to make such a pleasant story, "Who Gets the Profits?" one may see the working of the joints in the financial manikin, and I offer:

The young man comes into possession of the bonds through accident, not theft.

He safeguards another's money so that a loss, while using it, if any, would be practically nil.

If he had not done so, had lost the whole $6,000, he would be liable for a misappropriation of funds and would be obliged to take whatever legal medicine the court handed down.

If Mr. Williams had received back his bonds without the statement contained in the matter he would have dropped the matter and breathed a sigh of relief, but, finding that his bonds had worked out, if we figure the percentage, a big fortune while "Lost" he wanted it and the attachment of the cash was a step in a suit of the nature of blackmail.

It is a case of "unearned increment," and Mr. Williams is not entitled to a penny of it.

G. E. C. Buffington.

---

**This Wall Street Journal man seems confident.**

In accord with the principle of the law, that no man should be permitted to profit through his own wrong, the courts have always held that if one without authority do anything to the property of another which increases its value, or without authority use another person's money in trade or speculation, the added value of the property, or the profits from the trade or speculation belong to the owner.

The pledging of the bonds was a wrongful act, amounting in law to conversion, and all profits from the deal belong to the owner of the bonds.

D. C. Harrower,

---

**Mr. Philbin favors a split.**

While Williams should feel satisfied upon return of bonds, nevertheless, from one viewpoint, he is entitled to profits made by jeopardizing same. The finder was not justified in speculating at all; yet had Williams notified the Stock Exchange immediately of his loss, the bonds would not be available as security, consequently no profits. Therefore, I maintain through Williams' negligence, finder made said profits a jury should, taking into consideration the voluntary return of bonds, equally divide profits.

The finder should be indicted for telling Williams of profits and Williams should be deported for claiming entire amount.

J. L. Philbin.

---

**Hayden, Stone & Co.'s cashier believes:**

The decision must rest solely on actual occurrences; if Jones hadn't written Williams and had returned bonds before lost notice appeared there would have been no call for a decision. The letter gives legal proof of his being the ordinary embezzler who expects to pay back; from the moment he used the bonds.

Williams had no claim for two reasons; he would have made none if there was a loss, and he took no risk, since a Stock Exchange firm would have had to replace the bonds made doubly certain through proven negligence when they accepted same.

Williams' claim resting on risk entailed proves that the broker is entitled to the profit, he alone having taken all risk. Jones, a proven embezzler, has no legal claim.

Keith Stewart,

# INQUIRIES

*What do you wish to know about trading or investing in securities or commodities?*

*Is it something regarding opening an account, margins, commissions, stop orders or other kinds of orders?*

*In fact, is there any point in connection with the science, methods or customs of the various markets which you would like to have elucidated?*

*If so, write us questions briefly and they will be answered in this column or otherwise. If personal reply desired, enclose stamped envelope. Address Inquiry Department.*

*WE DO NOT GIVE ADVICE OR OPINIONS UPON SECURITIES OR PROBABLE MARKET MOVEMENTS.*

Q.—In your December number you referred to the oldest trader in Wall street as making a practice of selling short against investment stocks which he had put away and paid for. What was the advantage of such a method over ordinary selling and rebuying?

Ans.—The advantage is simply this: The investor realizing that prices were high and anticipating a decline in the general market, wished to take advantage of such a decline without running the risk attending a short sale of these stocks. This risk would be mainly in the event of a corner. By holding in his safe deposit box the stock representing his original investment and selling short an equal amount through his broker, he practically operated simultaneously in two ways. That is, he was an investor who owned his stock outright, and he was a short seller who was taking advantage of a decline in the market. In case of a corner in the stock, or if it should have such a sharp rise that the broker called upon him for an amount of margin which he was not able to produce, he could then deliver the certificate and close the transaction. He was thus absolutely sure, beyond any chance of a mistake or other consideration, that such a short sale would be perfectly protected. We know of no technical point involved which would produce a hitch in such a transaction.

The advantage of this method over ordinary short selling is, that it involves no risk whatever. We are leaving out, of course, the possibility of the broker's failure, for which only a slight allowance should be made if you are dealing with a first-class New York Stock Exchange house. This element of chance is present in any transaction where the stock is not locked up in your own safe deposit box.

There is no real advantage in this over selling the stock outright. In fact there is a certain disadvantage, for if the stock were sold outright the seller would become possessed of the funds, on which he could realize interest by depositing in a Trust Company or loaning it out. We have no doubt that a follower of this plan reasons thus: "I have bought this stock as a permanent investment. I will not part with it unless I have some good reason or know of developments likely to affect its intrinsic value. But if an opportunity comes whereby I may operate in the market in such a way as to reduce the cost of this investment without the slightest risk attending my venture, I will do it."

This plan, in a modified form, is followed by Mr. Keene and other large operators. We have known Mr. Keene to accumulate a considerable line of a certain stock in a panic and hold on to it until the price came up to his idea of value before selling. At certain times, however, when he expected a break in the general market he would sell short a security of the same class as that of which he was long, and in equal amounts, thus accomplishing what he calls a "hedge" transaction.

---

Q.—Do you know of any books written by the late Chas. H. Dow of the *Wall Street Journal?*

Ans.—We do not. After his death S. A. Nelson gathered together a number of his most valuable articles and embodied them in the book, "A B C of Stock Speculation." It is a valuable work. See list of books on another page.

Q.—Will you kindly explain the meaning of stocks "loaning flat" and "at a premium"? Also conclusions to be drawn therefrom?

Ans.—If you sold 100 Union Pacific short, your broker would borrow 100 shares to complete your transaction. He would give to the broker who loaned him the shares $12,000 as security. When you covered your short sale the 100 shares which you bought would be returned to the broker who loaned it, and the money repaid.

While your broker is a borrower of the stock, he is also a lender of the $12,000; the broker who loans the stock pays interest on this $12,000 at about current rates. If the ruling rate for call money is 3 per cent. the rate on this $12,000 would be, say, 2½ or 2¾ per cent. If there is a large short interest and the stock is in demand, the stock will "loan flat." That is, the lender of the stock will have the use of the money without paying interest therefor. In cases where certificates are extremely scarce the lender of the stock would not only have the use of the money without interest, but he would receive from the borrower a "premium" amounting to $3.12½ per hundred shares up to $100 per hundred shares per day. This is about the only complicated thing in connection with stock transactions, and if our explanation is not entirely clear, let us know. For conclusions see other answers in this column.

---

Q.—If the Southern Railway should be put into the hands of receivers, what would happen to the stockholders who were unable to pay the assessment on their stock?

Ans.—In case the Southern Railway or any other road were reorganized and you held some of the stock, you could, in the event of an assessment, easily rearrange with your banker or broker to pay the assessment for you. The amount paid would be immediately reflected in the increased market value of the stock. For example, suppose a stock were selling at $10 per share, and an assessment of $10 per share were called, payable in two instalments of $5 each; you could turn over your certificate to any banker or broker and instruct him to pay the assessment for you. As soon as the first assessment is paid, the stock will sell at $15 per share; when the second instalment is paid it will sell at $20 per share, allowing, of course, for market fluctuations in the meantime. In such a case the banker's or broker's security for the payment would be represented in the increased valuation. The stock would be designated in the trading as "first assessment paid" and "full paid." Stockholders refusing to pay the assessment would probably find themselves, in the course of time, with a worthless certificate on their hands.

---

Q.—Will you kindly give the rates of commission on the Boston Stock Exchange?

Ans.—Bonds, on the par value, ⅛ per cent.
Government Bonds are exempt from the regular rates.
Bank Stocks and Trust Company Stocks, per share, 25 cents.
Insurance Stocks, per share, 25 cents.
Textile Manufacturing Stocks and Real Estate Trust Stocks, ¼ per cent. on par value.
When the above stocks are selling at double their par, the commission on them shall be doubled.
All other stocks selling at $300 or over per share, 25 cents.
Selling below $300, or at $5 or more per share, 12½ cents.
Selling below $5 and at $1 or more, 6¼ cents.
Selling below $1 per share, $1 per one hundred shares or any part thereof.

---

Q.—What is the difference between a bucket-shop and its methods and practice in dealing with customers as compared with a legitimate commission house?

Ans.—Briefly, the difference between a bucket-shop and a legitmate brokerage house is as follows:

A bucket-shop is simply a gambling institution which bets against the customer. No stocks are actually bought and sold by the bucket-shop except in such cases where it desires to "hedge." Whatever the speculator loses in a bucket-shop the house wins, and vice versa. A bucket-shop encourages people to buy on a one or two-point margin, knowing that they are liable to be caught and their margins wiped out by the every-day fluctuations of the market. It is to the interest of the bucket-shop to have its customers lose and to this end many advantages are taken of the customer in such a way that he is powerless.

A legitimate brokerage house makes nothing but its commission on any transaction. Its best interests are served when a customer makes money, as in this event he continues to trade. When he loses his capital he can no longer trade and pay commissions.

In a future article we will endeavor to show the inner workings of a bucket-shop in order to demonstrate the futility of dealing in such establishments.

---

Q.—Is a person who sells short entitled to interest on the money resulting from the sale of his stock?

Ans.—This is an open question. In the case of a few large and very active traders, brokers sometimes make an allowance on this item, but as a rule no interest is allowed to the customer.

---

Q.—What effect does the issuance of new capital stock have on the value of outstanding stock? For example a corporation whose present capitalization is $10,000,000 increases its capitalization to $20,000,000, and apparently its earning power is expected to be about the same. Suppose the stock before the additional $10,000,000 was added was selling at 90, what would it sell for when the new stock is issued?

Ans.—In case a holder of one share of stock received another share without payment on his part, the effect would be to cut the market price in two. That is, if the stock was selling at 90 before the new issue was made, it would sell at 45 thereafter.

Conditions under which new issues are floated vary so widely that there is no hard and fast rule, but here is the method of figuring in such cases: Let us suppose that a company with a capital of $10,000,000 decides to increase its capital stock 10 per cent., old stockholders being given the privilege of subscribing at par to one share of new for each ten shares of old which they hold. Your point can be arrived at in two ways. First, by taking the total value of the $10,000,000 capital stock which is selling at 120,

| | |
|---|---|
| It figures | $12,000,000 |
| Add to this the new stock paid for at par, which would amount to.. | 1,000,000 |
| Making the combined market value and cash valuation of new stock. | $13,000,000 |

Divide this by the number of shares which will exist in both old and new stock, viz., 110,000 shares, and you have a market valuation of 118 for the new stock.

Another way of figuring it is this:

| | |
|---|---|
| Supposing you bought 100 shares of old stock at 120—the cost would be..... | $12,000 |
| This would entitle you to 10 shares of the new stock at an additional cost of | 1,000 |
| Total cost of 110 shares............... | $13,000 |

Divide this latter amount by 110 shares and you have a price of 118, the valuation of the new stock.

---

Q.—When are bank statements issued and how may I tell whether they are favorable or unfavorable?

Ans.—The New York City bank statement is issued about noon every Saturday. The National Banks in New York are required to keep a reserve of 25 per cent. of their deposits. That is to say, if a bank has deposits amounting to $10,000,000 the law requires it to keep a reserve of $2,500,000 in cash. Any amount over this is called the surplus reserve. This surplus reserve is the barometer which is most closely watched. It represents, more than any other item in the statement, the strength or weakness of the banking situation. During the recent panic the banks were far below reserve requirements. At other times they may carry large sums in excess.

A very full explanation of these and other terms will be found in the book "Money and Investments," described on another page.

---

Q.—In the Inquiry Column of your March issue, you give an explanation as to how the New York equivalent of London prices is arrived at by short method. May I ask why you use $5 per pound sterling as the basis for this calculation? Are the prices on the London Exchange in pound sterling or in American money?

Ans.—The difference between London and New York prices corresponds with the difference between the rate of exchange and $5, which is the nominal value of a pound sterling. Prices in London are quoted on the American basis. Therefore if a stock is selling at $100 per share and the exchange rate is $4.90 you can either deduct 2 per cent., as explained in our March issue, or divide your $100 by five in order to find the number of pounds, and multiply by $4.90, representing the value per pound. The New York equivalent would be 98 in both cases. The first mentioned method is the quicker when you become familiar with it.

---

Q.—Kindly give me your opinion of Missouri Pacific. Is it all capital stock or is there first preferred, second preferred and common? What dividends did it pay last year? Also let me know dividends last year of Denver Rio Grande, preferred, and International Paper Co. preferred.

Ans.—Missouri Pacific is all one class of stock—there is no preferred. The entire issue is known as capital stock. Last year the company paid 5 per cent. Denver & Rio Grande preferred paid 5 per cent., and International Paper preferred paid 6 per cent.

We suggest that you write any of the firms mentioned on the pink page of our February number, and get a free copy of Benton's *Railroad or Industrial Guide*. This will give you quotations for years past, as well as dividends and other valuable statistics.

---

Q.—I bought some Chicago Great Western common at 15, and paid for it in full before receivership. What would you advise me to do?

Ans.—As the TICKER deals only with the Science of Investment and Speculation, and does not give advice as to particular securities, we are unable to answer your query.

In a general way, however, we will say this: In case of a receivership it usually pays the investor to participate in the reorganization, as this is a bull country and in the long run the railroads acquire strength and earning power. Practically all the large systems have been through receiverships at some time in their history. You can readily arrange for your broker to pay such assessments as are called; thus you may hold the stock until improved condition of the road pulls you out. There is an example of this on page 40 of the February TICKER, showing how Union Pacific stockholders who went through the receivership ultimately profited very handsomely.

---

Q.—A man advertises in the *Herald* to give valuable information regarding the future value of certain stocks. I communicate with him and get his circular which states that he is in possession of certain facts and definite information that he receives "from an extensive operator," and that he will give me this information if I will carry "a few shares of the

stocks dealt in in each deal for his account." I agree to do so and he sends me an urgent wire to buy Smelters at 76 and Lead at 42. I do so. He demands that I carry 10 shares of each stock for him—20 in all. Both stocks fall, but he tells me to hold on, as his information is absolutely reliable. I tell him the Smelters is margined down to 60 and Lead to 36, and when these points are reached the margin will be wiped out. I hold on, only to have the broker sell the Smelters at 60½ and the Lead at 36. I have lost considerable money on account of the false information received.

Now the question I want to ask you is this: In view of the fact that his statements were false, that the results prove he was simply playing me as a dupe, and that he was really a partner in the business, as I was carrying the 20 shares for his account, at my own risk, on false information furnished by him, don't you think I can, at least, compel him to pay me the loss I have sustained? If his action is criminal I would like to know it. I have been told that the courts have established a ruling in such a case by compelling the party giving false information about stocks, where such person was to participate in the profits (if any) to pay the entire loss sustained in the transaction. Can you advise me accurately as to this?

Ans.—If you can prove that your informant made intentionally false statements, and are willing to swear that you acted solely upon his false representations, you can secure judgment for return of the amount lost through such representation. The making of intentionally false statements to induce you to part with your money is assuredly criminal. However, we see nothing in the circular which you send and the correspondence between you and the tipster which would give you the slightest hold on him. His statements and promises are all very vague and so written that you could not pin him down to one actual fact and prove that he has deceived you. Better refuse such overtures in the future.

---

Q.—I believe my broker is "skinning me alive." He sold on my open order 10 Wisconsin Central preferred at 34. The lowest official quotation that day was 35. Am I justified in assuming that he really sold it at 34¾ and pocketed the $7.50 difference? Again, on my open order to buy 10 San Francisco 2nd at the market, he filled the order at 22. The Cincinnati, St. Louis and Chicago papers failed to chronicle a single transaction in this stock on that day. The last previous quotation was 21¼. Was this a square deal? I am short of International Steam Pump preferred at 68¼. In spite of my open order to cover at 65¼ and numerous sales on the New York Stock Exchange at 65 I cannot secure a report. Please advise what you think of these transactions.

Ans.—The trouble is that you are dealing in small lots of very inactive stocks. In order to secure a close market on such quantities you should deal in stocks which have a big market, such as U. S. Steel, Union Pacific, Reading, etc. With these you can get in and out on odd lots at practically the hundred-share price. Issues such as you have been trading in are often two points or more apart between the bid and asked price. It is quite probable that your broker could not do better. He is undoubtedly treating you all right, but you are hurting your own chances by trading in inactive stocks. Read the article entitled "Running Expenses of a Trader's Account" in the February Ticker.

---

Q.—As a student of finance would you advise me to read Thos. W. Lawson's books? Can you give me the names of some of these and others which deal directly with market movements?

Ans.—Mr. Lawson's books would doubtless throw some side lights on the subject, but we should not advise you to swallow them whole. He has written "The Crime of Amalgamated" and "Friday the Thirteenth." On another page you will find a list of books which will suit your requirements. Those especially recommended are: "Investment Stocks"; "Money and Investments"; "Pitfalls of Speculation"; "The Work of Wall Street," and "A B C of Stock Speculation." Read them all—you cannot know too much about it.

---

Q.—How can a speculator judge the daily quotations of loaning rates as affecting the position of the public and the professional element in the market?

Ans.—The normal loaning rate is just a shade under the call money rate. This you will find described in an answer to another query. The loaning rates do not indicate the position of the public because the public is almost invariably long of stocks. The lower the loaning rate the greater the short interest. If the call money is 3 per cent., and the loaning rate on one or more stocks declines to 2 per cent., one per cent., "flat" and "at a premium," it would indicate an increase in short interest. Stocks seldom remain at a premium for any length of time, as the premium influences many people to cover. This may be for either of two reasons, viz., they do not wish to pay the premium or they find themselves with too much company on the short side.

---

Q.—Can you give me an idea of what percentage of the daily transactions are made by professionals in the following total daily transactions: 500,000, 600,000, 700,000, 800,000, 900,000 and 1,000,000 shares?

Ans.—It is rather difficult to form a correct estimate of this. We should say, however, that as the volume of transactions shrink the percentage of professional trading increases. In a very narrow market professionals may be responsible for 50 per cent. of the trading. As the volume increases it indicates a larger public interest, so that on a

million shares a day professionals might not trade any more than 250,000 shares. This is only our opinion; no one can state definitely.

---

Q.—What is the meaning of the terms, "There is a good demand for stocks in the loan crowd," and "Stocks scarce in the loan crowd"? How can one tell by this when the shorts have covered or when they are putting out new lines?

Ans.—We touch upon this point elsewhere in these columns. A good demand for stocks in the loan crowd indicates a considerable short interest. When stocks are scarce in the loan crowd it means practically the same thing. In either case the demand is largely from those who are short and who therefore have to borrow the certificates for delivery. When the demand falls off it shows that the short interest has been reduced.

---

Q.—Suppose a man bought stock on margin through a broker, and deciding to close the deal, wires his broker to sell (not specifying any price), meaning, of course, that the transaction is to be closed at the market price. His broker does not sell, nor does he wire reply. Instead, he writes that the market is in a deplorable condition. By the time the broker's letter is received the market has declined far enough to wipe out a good portion of the profits. In such a case could he bring action against the broker and demand a settlement at the lowest price which this particular stock touched during the day when the order was received? If so, how would action have to be brought?

If a stock is bought outright when a company goes into the hands of a receiver and an assessment is made for the purpose of supplying funds, and a holder cannot or will not pay such assessment, is he liable to lose his holdings?

Ans.—The broker had no discretion in the matter; he was obliged to sell at the market immediately upon receipt of the telegram. In our opinion an action can be brought against him and recovery made on the basis of the official price of the stock at the time of day when the telegram was delivered. This should be done at once.

The holder will not lose his stock, but the value will doubtless be wiped out. (See special article in April issue.)

---

## "Little Drops of Water."

H. H. Rockychap—"How much did you make on that last little deal of yours, John?"

John D. Rodgers—"Only a paltry fifty thousand, Henry."

H. H. Rockychap—"Tut, tut, John, remember that every fifty thousand counts."

## Charts

After all, a chart is but a picture of what *has* happened in the market. Money is made by *forecasting* conditions and not by reviewing past performances.

The Ticker has known a great many traders who based their operations solely on "what the chart says," but not among all the hundreds of cases which have come within our range can we recall one instance where such a trader made money and kept it.

We have before us a little book called "Speculation as a Fine Art," written some years ago by a former member of the Consolidated Exchange. In it the laws of speculation based upon charts are laid down in unmistakable terms, and the writer is led to believe that, with this book in hand, the Stock Exchange is his football, and by carefully following its rules he will wallow in wealth.

The author of this book made a great deal of money as a broker and as a lender of money. He advocated the chart as the only way to beat the market, but we never heard that any of his clients who made a business of following charts became hopelessly rich.

Up here in the Ticker office we are always watching out for the postman who will bring us a letter from some chart disciple who has really made money by following this method of trading. Such a communication has not yet arrived and we are beginning to suffer from eye strain.

---

## Nutshell Advice

When you have made up your mind to buy a certain amount of stock, buy half as much, and when you feel like selling it out, buy the other half.

---

## "What Fools These Mortals Be."

"Did you know that Fakeleigh was making money hand over fist, and that his income is increasing every day?"

"No, what business is he engaged in?"

"He is the inventor of a 'Sure Way to Beat the Stock Market.'"

"Does it work?"

"No, but it sells."

# New Publications

## Comments of the Latest Books Relating to Finance and the Markets

How to Invest Your Savings. By Isaac F. Marcosson. (Hy. Altemus Company.)

This is a bright, snappy little book dealing with the invesement question in an elementary way. It shows how savings accounts grow from small beginnings into amounts which can be profitably invested in bonds. It also discusses in a brief way bonds, stocks, real estate, etc., as investments, and points out a few of the pitfalls.

---

"The Real Wall Street." An understandable description of a Purchase, a Sale, and a "Short Sale," with forms, definitions, rules, etc., by William Harman Black, of the New York Bar. (Corporations Organization, 111 Broadway, New York.)

In this volume Mr. Black has supplied a clear and comprehensive statement of the method of handling stock transactions in a brokerage office and on the New York Stock Exchange. Herein is described the entire course of an order and its execution, showing exactly what takes place when a customer of a Wall street house buys, sells or "sells short." The actual machinery for handling such transactions has long been a mystery to the general public. This book covers the ground completely inasmuch as it not only describes the details of each operation, but shows the blank forms used by customers and brokers both in the office and on the Exchange, together with the forms of the various books used in the business. Trading on margin, selling short, stock loans, Clearing House operations, collateral loans, and a thousand other points relative thereto are here fully set forth and elucidated. The work forms a valuable addition to Wall street literature, covering as it does the whole subject from an entirely new standpoint.

The weekly Financial Review of J. S. Bache & Company deserves mention in this column because it is something new in banking and brokerage literature. It analyzes the money, political, commercial, currency as well as the stock market conditions, treating these subjects from a broad point of view—as they may affect the status of securities and capital from time to time. The far-sighted treatment of these matters has given this publication wide attention, it being quoted by hundreds of newspapers throughout the United States. The style is never dull and the handling of topics fearless and unprejudiced. Politics being now closely interwoven with the progress and prosperity of the country, the Review has not hesitated to express its opinions as to the candidate and the nomination with marked effect upon the judgment of people who were hesitating as to the real standing of political leaders.

---

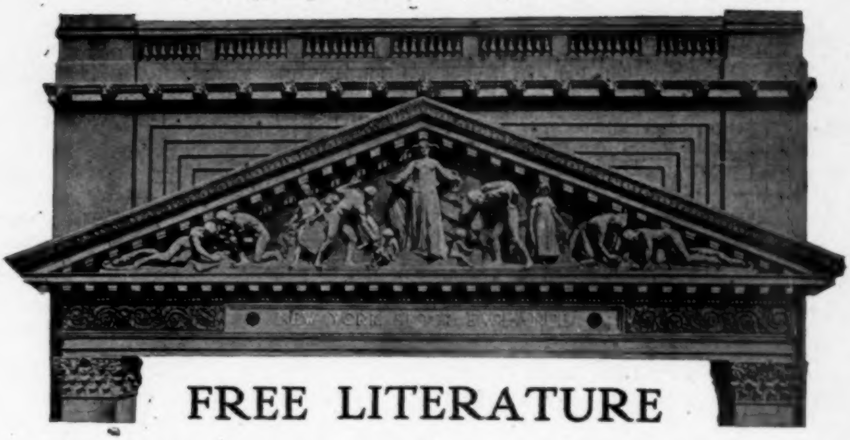
"The Law of Success." For Agents and Salesmen. By John J. Cushing. (Jenckes & Company, 216 W. 94th street, New York.)

This publication should prove of great interest and value to banks, corporations, brokers and bond houses who require salesmen, managers and agents who can "deliver the goods." In Wall street it is the successful salesman who locates the man with idle money and supplies him with the class of investments suited to his particular needs.

There are certain "lines of least resistance" which the salesman can follow, and Mr. Cushing's book makes these plain. In its field this is probably the most pithy volume which has yet appeared.

---

Your suggestion, criticism or inquiry will aid us in making this Magazine more valuable to you.



# FREE LITERATURE

**A list of Up-to-Date Booklets, Circulars, Special Letters, Etc. issued by Prominent Houses and Institutions. If You Desire Copies, Write These Parties Direct, Mentioning the TICKER.**

**Note—Bankers and Brokers who issue matter of this kind are requested to inform us.**

## INVESTMENTS

N. Y. City 4½% Corporate Stock,
Alfred Mestre & Co., 52 Broadway, N. Y.

Miscellaneous Investment Stocks (Boston Stock Exch.),
Hayden, Stone & Co., 87 Milk St., Boston.

Bonds vs. Real Estate Mortgages,
Chandler Bros. & Co., 3d and Walnut Sts., Philadelphia.

Statistical Tables (Pocket Edition), No. 513,
Spencer Trask & Co., Pine and William Sts., N. Y.

U. S. Government Standard on Bonds as Security for Public Deposits,
Knauth, Nachod & Kuhne, 15 William St., N. Y.

High Grade Bond List, No. 48,
Swartwout & Appenzellar, 40 Pine St., N. Y.

Knowledge of Investments, A Booklet,
Spencer Trask & Company, Pine and William Sts., N. Y.

Bonds of Large and Small Denominations,
Fuller & Co., 40 Wall St., N. Y.

Municipal & Public Utility Bonds,
P. W. Brooks & Co., 115 Broadway, N. Y.

Equipment Bonds & Car Trusts—Complete List,
Swartwout & Appenzellar, 40 Pine St., N. Y.

Municipal, Railroad and Equipment Bonds,
Rudolph Kleybolte & Co., 115 Broadway, N. Y.

Short Term Notes, New Edition. High Grade Bond List. (Wall Card.)
Swartwout & Appenzellar, 44 Pine St., N. Y.

**Bond List,**
Kraus Bros. & Co., 24 Broad St., N. Y.

Building Up a Clientele,
W. E. Davis, Jr., 1 Nassau St., N. Y.

Investment Banking,
N. W. Harris & Co., Pine and William Sts., N. Y.

Distillers' Securities Co. Convertible 5's,
Chas. Fairchild & Co., 29 Wall St., N. Y.

Investment Opportunities—Circular No. 513,
Spencer Trask & Co., Pine and William Sts., N. Y.

KINDLY MENTION THE TICKER

*Mention The Ticker when requesting any of the above.*

Investment Securities Yielding 5 to 6½%. Circular No. 510.
Spencer Trask & Co., William and Pine St., N. Y.

Union Pacific Convertible 4% Bonds,
Sig. H. Rosenblatt & Co., 42 Broadway, N. Y.

Short Term Notes and Collateral Trust Bonds. Circular No. 511.
Spencer Trask & Co., William and Pine Sts., N. Y.

R. R. Bonds in Groups—High Grade; Minimum Risk; Convertible; Semi-Speculative
Spencer Trask & Co., William and Pine Sts., N. Y. Circular No. 512.

New Jersey Securities
Eisele & King, 757 Broad St., Newark, N. J.

List of Approved Investments,
J. H. Fertig, 20 Broad St., N. Y.

"Little Governments," A Booklet on Municipal, State, City and County Bonds,
O'Connor & Kahler, 49 Wall St.

"The Advantages of Bonds,"
W. E. Davis, Jr., 1 Nassau St., N. Y.

"The Organization of Modern Investments."
W. E. Davis, Jr., 1 Nassau St., N. Y.

## STOCKS

Weekly Market Review,
J. S. Bache & Co., 42 Broadway, N. Y.
Alfred Mestre & Co., 52 Broadway, N. Y.

Benton's Railroad or Industrial Guide (Monthly),
Any first-class brokerage house.

Conservative Speculation,
Waterman, Anthony & Co., 67 Exchange Pl., N. Y.

Dividend Coppers, Giving Approximate Idea of Future Earnings.
Hayden, Stone & Co., 25 Broad St., N. Y.

N. Y., Ontario & Western—Special Letter,
Chas. Fairchild & Co., 29 Wall St., N. Y.

Copper Stocks—Weekly Letter.
Hayden, Stone & Co., 25 Broad St., N. Y.

Utah Copper—Special Letter,
Hayden, Stone & Co., 25 Broad St., N. Y.

Forecast for 1908,
Thomas Gibson, 329 Corn Exchange Bank Bldg., N. Y.

Weekly Market Letter,
Grannis & Lawrence, 10 Wall St., N. Y.
Carpenter, Baggot & Co., 21 William St., N. Y.

List of Desirable Dividend-paying Railroad Stocks and Bonds.
Alfred Mestre & Co., 52 Broadway, N. Y.

Special Letter on American Car and Foundry.
Chas. Fairchild & Co., 29 Wall St., N. Y.

Special Letter on Toledo, St. Louis & Western Railway Co.
Ball & Whicher, 111 B'way, N. Y.

Tabulated Income List of R. R. and Ind. Stocks,
Ball & Whicher, 111 Broadway, N. Y.

Daily Market Letter,
Chas. Fairchild & Co., 29 Wall St., N. Y.
J. M. Fiske & Co., 42 Broadway, N. Y.
Ball & Whicher, 111 Broadway, N. Y.

R. R. and Ind. Stocks, Showing Margin of Safety
(Sent to nearby parties only.)
W. E. Hutton & Co., 1st Nat. Bank Bldg., Cincinnati, O.

Correspondence Invited Regarding Investment Purchases,
Tracy & Co.—Nearest office. See back cover.

Puts and Calls—Booklet and Circular,
Wm. H. Herbst, 20 Broad St., N. Y.

KINDLY MENTION THE TICKER

*Mention THE TICKER when requesting any of the above.*

## COTTON

**Methods of Cotton Trading,**
Hubbard Bros. & Co., Hanover Sq., N. Y.

**American Cotton Crop Movements,**
Hubbard Bros. & Co., Hanover Sq., N. Y.

**Wall Chart—Cotton Statistics for 10 Years,**
Craig & Jenks, 27 William St., N. Y.

**Daily Letter,**
Hubbard Bros. & Co., Hanover Sq., N. Y.
Carpenter, Baggot & Co., 21 William St., N. Y.
Chas. Fairchild & Co., 29 Wall St., N. Y.

**Weekly Letter,**
Hubbard Bros. & Co., Hanover Sq., N. Y.
Carpenter, Baggot & Co., 21 William St., N. Y.

**Monthly Letter,**
Hubbard Bros. & Co., Hanover Sq., N. Y.

**Nature and Uses of Cotton Contracts,**
Hubbard Bros. & Co., Hanover Sq., N. Y.

**Quotation Guide on Cotton,**
Any of the above.

## GRAIN

Corn—Special Booklet,
E. W. Wagner, 97 Board of Trade Bldg., Chicago, Ill.

"Grain Speculation Not a Fine Art,"
E. W. Wagner, 97 Board of Trade Building, Chicago, Ill.

Weekly Letter,
E. W. Wagner, 97 Board of Trade Building, Chicago, Ill.
Hubbard Bros. & Co., Hanover Sq., N. Y.
Carpenter, Baggot & Co., 21 William St., N. Y.

Quotation Guide,
A. O. Brown & Co., 30 Broad St., N. Y.
Tracy & Co. (Nearest office—see back cover.)

Daily Market Letter,
E. W. Wagner, 97 Board of Trade Building, Chicago, Ill.

## COFFEE

Quotation Guide and How to Trade,
Hubbard Bros. & Co., Hanover Sq., N. Y.

## COTTON SEED OIL

Market Letter,
Hubbard Bros. & Co., Hanover Sq., N. Y.

## GENERAL INFORMATION

The Future of Copper and the Gold Age,
John J. Cushing, 18 Wall St., N. Y.

Circular Descriptive of Poor's Manual of Railroads for 1907.
Poor's R. R. Manual Company, 70 William St., N. Y.

32-Page Booklet—The Financial Soundness of Great Railroads,
N. W. Halsey & Co., 49 Wall St., N. Y.

Correspondence Courses on Investments,
The Babson System (Dept. T), Wellesley Hills, Boston, Mass.

State Laws Governing Savings Bank Investments,
N. W. Halsey & Co., 49 Wall St., N. Y.

**When to Buy Bonds,**
Guaranty Trust Co., 28 Nassau St., N. Y.

**How to Invest Money,**
Guaranty Trust Co., 28 Nassau St., N. Y.

KINDLY MENTION THE TICKER

*Mention* THE TICKER *when requesting any of the above.*

THE

# TICKER

PUBLISHED MONTHLY BY

THE TICKER PUBLISHING CO.

Richard D. Wyckoff, Editor and Proprietor

2 Rector Street, New York.

TELEPHONE CONNECTION.



## An Open Letter

To Mr. John Cawley.

Dear Sir:—You are the man we are looking for.

Since the TICKER first appeared we have received hundreds of congratulatory expressions from friends, enemies and strangers, but you are the first man who has actually told us we were wrong. We thank you sincerely, as we consider one who criticises us a friend indeed.

You refer to certain articles in the TICKER by "people with axes to grind." On page 17 of the January number you will find "The Ticker's Rule," which reads: "Will this article help put money in the pocket of the man who reads it?"

In selecting these articles we have borne this rule very much in mind, and in fact, have somewhat laid ourselves open to criticism such as we presume yours to be, in order to place before our readers literature of practical money-making assistance.

For instance, those articles by Montgomery Rollins—the fact that they are taken from his book should detract not at all from the value of his suggestions; for if you could see the inquiries which pour in on us daily, you could appreciate how many people there are who want just this sort of material.

Your idea probably is to have these articles written by people who have no other interest than that of producing so many words at so many dollars per thousand. We claim that the majority of these could not be as well written to order.

Of course we could follow the practice of many publishers, by rehashing good articles, but that it not our style. When we get hold of something which, in its original state, is of vital interest and money-making value to our readers, we are going to print it as it comes.

Regarding books and other literature of special merit—many people might pass over the mere mention of a title, whereas an extract of sufficient length to prove the value of the whole, will lead them to secure a copy and thus add to their knowledge of the subject.

On our cover you will observe that the TICKER is the "Investors' Mentor." Have you weighed that word "Mentor?" —a wise and faithful friend, guide and teacher? Whoever heard of a teacher who neglected the use of text-books?

We admit that we draw sharp distinctions in selecting brokerage houses for our friends. Thousands of people are going into bucket shops, sending their money to fake mining concerns every day in the year. We aim to distinguish the good from the bad for these people; to tell them that there is no royal road to wealth via the stock market—that it is a question of study, knowledge and experience.

In thus acting are we not serving the best interests of our readers, who, after all, should be the first consideration of any publisher?

Again expressing our appreciation of your letter, and any further communications with which you may favor us, I remain,

Yours very truly,

THE EDITOR.